

GEORGE MASON UNIVERSITY

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2020



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MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Introduction

This unaudited *Management's Discussion and Analysis* (MD&A) is required supplementary information under the Governmental Accounting Standards Board's (GASB) reporting model. This discussion and analysis provide an overview of the financial condition, results of operations and cash flows of George Mason University ("University" or "Mason") for the fiscal year ended June 30, 2020 (FY 2020). Comparative numbers are included for the fiscal year ended June 30, 2019 (FY 2019). MD&A includes highly summarized data and therefore should be read in conjunction with the full financial statements and footnotes that follow this section. The University's management is responsible for all of the financial information presented, including this discussion and analysis.

The University is an agency of the Commonwealth of Virginia and is governed by the University's Board of Visitors. The Commonwealth prepares a separate financial report that incorporates all agencies, boards, commissions, and authorities over which the Commonwealth exercises or has the ability to exercise oversight authority. The University is a component unit of the Commonwealth and is included in the financial statements of the Commonwealth.

Financial Highlights

The University's net position increased by \$101.2 million or 13 percent, compared to an increase of \$114.1 million, or 17 percent, for FY 2019 because of an excess of FY 2020 revenues/gains over FY 2020 expenses/losses. Revenue provided by the Commonwealth for equipment and capital projects totaled \$60.3 million, an increase of \$26.3 million over FY 2019, contributed to the increase in net position.

Increases in Operating Revenues and Expenses and Net Position (\$ in millions)							
	FY 2020		FY 2019		FY 2018		
Operating Revenues	\$(20.2)	-3%	\$53.0	7%	\$55.1	8%	
Operating Expenses	\$58.7	7%	\$61.7	7%	\$55.1	7%	
Net Position	\$101.2	13%	\$114.1	17%	\$89.9	13%	

In March 2020, the University shifted from traditional classroom teaching to alternative virtual instruction as a result of the COVID-19 global outbreak. For the health and safety of the campus community, the majority of on-campus operations and events were canceled or delayed and faculty and staff began teleworking. The University was awarded \$24 million of Coronavirus Aid, Relief, and Economic Security (CARES) Act grants during FY 2020. This funding included \$20.8 million under the Higher Education Emergency Relief Fund (HEERF) and \$3.2 million from the Commonwealth's share of the Coronavirus Relief Fund (CRF). In FY 2020, \$10.8 million from the HEERF funds were recognized as revenue and distributed for emergency student aid and to offset the refunds issued to students for housing, dining and parking services following the shift of campus operations. The remaining \$10 million of HEERF funding awarded to the University will be recognized in FY 2021 to cover additional emergency student aid as well as institutional aid. The University used \$2.3 million of the CRF funding in FY 2020 to support expenses incurred for the transition to virtual instruction and to enable enhanced telework capabilities for faculty and staff. The balance of CRF funds will be spent in FY 2021.

Overview of the Financial Statements and Financial Analysis

The University's financial report includes five financial statements and related notes:

1. The Statement of Net Position for the University
2. The Statement of Revenues, Expenses, and Changes in Net Position for the University
3. The Statement of Cash Flows for the University
4. The Combined Statements of Financial Position for the Component Units of the University
5. The Combined Statements of Activities for the Component Units of the University

The University's financial statements have been prepared in accordance with GASB principles which establish standards for external financial reporting for public colleges and universities. These principles require that the University's financial statements be presented on a consolidated basis to focus on the University as a whole, with resources classified for accounting and reporting purposes into four net position categories. As stated above, these financial statements are summarized in MD&A. Please note that although some of the University's foundations are discretely reported by separate page display in other sections of the University's financial statements, this MD&A excludes them except where specifically noted.

Statement of Net Position

The Statement of Net Position presents the assets (current and noncurrent), deferred outflows of resources, liabilities (current and noncurrent), deferred inflows of resources, and net position (assets and deferred outflows of resources minus liabilities and deferred inflows of resources) of the University as of the end of the fiscal year. This statement is a point of time financial statement. The purpose of the Statement of Net Position is to present readers of the financial statements a fiscal snapshot of George Mason University at the end of the fiscal year. Assets, deferred outflows, liabilities, and deferred inflows are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allowance for depreciation.

From the information presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the University. They are also able to determine how much the institution owes vendors and creditors, and the amount of any deferred outflows of resources and deferred inflows of resources. In addition, the Statement of Net Position provides a picture of the net position and their availability for expenditure by the institution. Net position is one indicator of the current financial condition of the University, while the change in net position is an indicator of whether the overall condition has improved or worsened during the year.

A deferred outflow of resources is a consumption of net assets by the University that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net assets by the University that is applicable to a future reporting period.

Net position is divided into three major categories. The first category, "net investment in capital assets", provides the University's equity in the property, plant, and equipment that it owns or capital leases. The next category, "restricted net position," is divided into two subcategories, nonexpendable and expendable. Nonexpendable restricted net position consists of endowments and similar funds where donors or other outside sources have stipulated that, as a condition of the gift instrument, the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income to be expended or placed in a reserve fund. Expendable restricted net position is available for expenditure by the institution but must be spent as determined by donors and/or external entities that have placed purpose restrictions on the use of the assets. The final category is "unrestricted net position". Unrestricted net position is available to the University for any lawful purpose of the institution.

A summary of the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30, 2020, and June 30, 2019, follows:

Condensed Statement of Net Position *

	June 30, 2020	June 30, 2019	Dollar Change	Percent Change
Assets:				
Current assets	\$652,163	\$569,945	\$82,218	14%
Capital assets, net	1,240,110	1,216,563	23,547	2%
Other noncurrent assets	27,226	33,121	(5,895)	-18%
Total Assets	1,919,499	1,819,629	99,870	5%
Deferred Outflows of Resources	72,667	46,448	26,219	56%
Total Assets & Deferred Outflows	1,992,166	1,866,077	126,089	7%
Liabilities:				
Current liabilities	234,961	196,601	38,360	20%
Noncurrent liabilities	810,038	825,457	(15,419)	-2%
Total Liabilities	1,044,999	1,022,058	22,941	2%
Deferred Inflows of Resources	52,144	50,164	1,980	4%
Total Liabilities & Deferred Inflows	1,097,143	1,072,222	24,921	2%
Net Position:				
Net investment in capital assets	726,154	672,909	53,245	8%
Restricted: nonexpendable	7,166	7,166	0	0%
Restricted: expendable	6,314	7,443	(1,129)	-15%
Unrestricted	155,389	106,337	49,052	46%
Total Net Position	\$895,023	\$793,855	\$101,168	13%

* In thousands

Total assets and deferred outflows of resources were \$2.0 billion compared to total liabilities and deferred inflows of resources of \$1.1 billion. The difference between these two amounts, total net position, was \$895 million.

For FY 2020 current assets exceeded current liabilities by \$417.2 million. In FY 2019, current assets were \$373.3 million greater than current liabilities. FY 2020 current assets increased as a result of increases in cash and cash equivalents, prepaid expenses and reimbursements due from the Commonwealth for 21st Century bond funded construction costs and ETF equipment. This increasing differential represents a continuation of improving liquidity that began in FY 2011 and has continued through FY 2020. The current ratio, which is the ratio of current assets to current liabilities, and is a common measure of liquidity, is 2.78 compared to 2.90 in FY 2019 and 2.65 in FY 2018.

Capital assets, net of accumulated depreciation of \$834.7 million, totaled \$1.240 billion, which is an increase of \$23.5 million compared to FY 2019 which increased by \$5.2 million from FY 2018. This increase reflects investment in equipment and facilities at the University. Significant capital projects are discussed in the next section.

The \$5.9 million, 18%, decrease in Other noncurrent assets primarily reflects a \$14.3 million decrease in restricted bond proceeds used to pay for construction of capital assets offset by \$10.1 million increase in long term investments resulting from a gift from GMUF.

Capital Asset and Debt Administration

Development and renewal of capital assets is one of the critical factors in sustaining the high quality of the University's academic, research, and residential life functions. The University continues to maintain and upgrade current structures, and to add new facilities.

Note 5 of the Notes to Financial Statements describes the University's investment in capital assets, with total depreciable capital asset additions of \$24.7 million (excluding land, construction in progress, and works of art) and additions to construction in progress of \$91.3 million. Depreciation expense increased by \$0.4 million over the prior year to \$65.6 million.

Additions to depreciable capital assets for FY 2020 included the following:

Asset Category	Amount (in millions)
Buildings	\$14.4
Equipment	9.2
Software	0.2
Library materials	0.9
Total	\$24.7

Completed building projects included the Hylton Performing Arts Center addition, renovations to Peterson Hall and Krasnow Institute as well as leasehold improvements for the School of Business and Volgenau School of Engineering (VSE).

Major ongoing capital projects include: Horizon Hall (replacement of Robinson Hall) and Utilities Distribution Infrastructure.

Horizon Hall – In FY17, the University began the design of a \$120 million, 218,000 square foot project to replace Robinson Hall, located on the Fairfax Campus. The project will modernize one of the Fairfax campus' most used buildings and substantially improve the learning and collaborative environment. The building will include classrooms with whiteboards and video screens, collaboration and meeting spaces, informal learning areas outside classrooms, and conference rooms on six floors. Students and student learning are the foundation of the design of the new building. The project will also include a 2,000 square foot addition to, and a 21,000 square foot renovation of, the Harris Theater. The Board of Visitors approved Horizon Hall as the new name of the building at the May 20, 2020 meeting. The building is expected to be completed in December 2021.

Utilities Distribution Infrastructure – In FY17, the University also began the design of a \$49 million utility distribution infrastructure project to replace critical components of the thermal infrastructure loop system. In addition to replacing the utility system beneath plazas, roadways, sidewalks and softscapes, the project will improve and extend the North Plaza and repair all hardscape and softscape systems in all other effected areas to retain the character of the campus. The project is expected to be completed in November 2021.

Financial stewardship requires the effective management of resources, including the use of long-term debt to finance capital projects. Notes 7, 8 and 9 of the Notes to Financial Statements describe changes in the

University's long-term debt. No new capital general obligation bonds or Virginia College Building Authority (VCBA) notes were issued in FY 2020 but refundings were completed as follows:

Virginia 9(c) General Obligation Bonds were refunded on the following projects:

Project	Amount (in millions)
Student Housing V (2001)	\$5.7
Student Housing V (2002)	1.7
Student Housing VII (2005)	3.3
Student Housing VII (2006B)	4.9
Total	\$15.6

Total long-term debt outstanding, including general obligation bonds, notes payable, capital leases payable, installment purchases, and bond premiums and discounts decreased by \$42.7 million from the end of FY 2019 to the end of FY 2020, to a total of \$521.7 million, as compared to a decrease of \$15.7 million for FY 2019 from the end of FY 2018, to a total of \$564.4 million. Deferred gains and losses on refundings are included in deferred inflows and outflows of resources.

Contractual commitments for capital outlay projects under construction at year end decreased from \$109.3 million in FY 2019 to \$41.4 million in FY 2020. These obligations are for future efforts and therefore have not been accrued as expenses or liabilities on the University's financial statements.

Statement of Revenues, Expenses, and Changes in Net Position

The change in total net position as presented in the Statement of Net Position is based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of the statement is to present the University's operating revenues earned, operating expenses incurred, and all other revenues, expenses, gains, and losses during the fiscal year.

Generally speaking, operating revenues are earned for providing goods and services to the students and other constituencies of the institution. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the institution. Salaries and fringe benefits for faculty and staff are the largest type of operating expense.

Non-operating revenues are revenues received for which goods and services are not provided in exchange as part of a transaction. For example, state appropriations are non-operating revenues because they are provided by the legislature without the legislature directly receiving commensurate goods and services for those revenues. State appropriations, which are included in non-operating revenues, provide substantial support for paying operating expenses of the University. The University, like most public institutions of higher education, does not cover all operating expenses with operating revenues, and therefore expects to report an operating loss each year.

A summary of the University's Statement of Revenues, Expenses, and Changes in Net Position follows:

Condensed Statement of Revenues, Expenses, and Changes in Net Position *

	June 30, 2020	June 30, 2019	Dollar Change	Percent Change
Operating Revenues:				
Student tuition and fees, net of allowances	\$392,744	\$392,429	\$315	0%
Grants and contracts	155,934	157,591	(1,657)	-1%
Auxiliary enterprises and other	203,092	221,985	(18,893)	-9%
Total Operating Revenues	751,770	772,005	(20,235)	-3%
Operating Expenses:				
Educational and general	752,403	686,268	66,135	10%
Depreciation	65,621	65,194	427	1%
Auxiliary enterprises	136,225	144,064	(7,839)	-5%
Total Operating Expenses	954,249	895,526	58,723	7%
Operating Income (loss)	(202,479)	(123,521)	(78,958)	-64%
Nonoperating revenues and expenses (net)	228,633	192,057	36,576	19%
Income (loss) before other revenue/expense/gain/loss	26,154	68,536	(42,382)	-62%
Other revenue/expense/gain/loss	75,014	45,537	29,477	65%
Net increase in net position	101,168	114,073	(12,905)	-11%
Net position at beginning of year	793,855	679,782	114,073	17%
Net position at end of year	\$895,023	\$793,855	\$101,168	13%

* In thousands

Total operating revenues, consisting primarily of tuition and fees, grants and contracts, and auxiliary enterprises, decreased by \$20.2 million, or 3%, from the prior year. Student tuition and fees, net of scholarship allowances, was similar to the prior year. Revenue from grants and contracts decreased from \$157.6 million in FY 2019 to \$155.9 million in FY 2020. Auxiliary and other revenue decreased by \$18.9 million, or 9%. The decrease was primarily a result of reduced revenue in student housing, dining and parking as a result of COVID-19 campus closures.

Total scholarships and fellowships, which is the sum of scholarship allowances and student aid expense, increased by \$23.8 million, or 15.9%, to \$173.5 million. The increase is a result of the University's focus of increasing aid to students and CARES Act funding for emergency student aid.

Total operating expenses increased by \$58.7 million, or 6.6%. The main cause was an increase of \$53.3 million, or 9.7%, in compensation expenses, consisting of salaries, wages, and fringe benefits, as a result of employee raises and increased employee headcount. Also contributing was an increase in student aid expense of \$11.1 million, or 38.3%, offset by a decrease in the purchase of goods and services of \$6.0 million, or -2.4%, mainly as a result of slowing spending and reducing or delaying noncritical expenses in the wake of the COVID-19 pandemic.

As a result of operating revenues decreasing and operating expenses increasing, the operating loss increased by \$79.0 million, or 64%, to \$202.5 million, as compared to a loss of \$123.5 million in FY 2019.

Nonoperating revenues net of nonoperating expenses increased by \$36.6 million, or 19%, primarily due to a \$15.2 million increase in the restricted and unrestricted state general fund appropriations and \$13 million in CARES Act funding.

An important number to note in the Statement of Revenues, Expenses, and Changes in Net Position is “Income/(loss) before other revenues, expenses, gains or losses” (income before capital items) because this number is a better representation of the true operating results than the Operating Income (loss) line. This number reflects other non-capital revenues used to fund operating expenses. These items are reported separately from other operating results due to GASB’s reporting requirements, but from a financial perspective should be combined to understand operating results. In FY 2020 the income before capital items was \$26.1 million, which was a decrease of \$42.4 million compared to the FY 2019 income of \$68.5 million. This \$42.4 million decrease is the cumulative result of the variances discussed above, including the growth of the University’s faculty and staff ranks and the impact of the altered operations during the COVID-19 pandemic which resulted in lower revenues for auxiliary and other operating activities; partially offset by CARES Act relief funding and additional state appropriations.

The final category on the Statement of Revenues, Expenses, and Changes in Net Position is called Other revenues, expenses, gains and losses and includes capital appropriations, capital grants and gifts, additions to permanent endowment, and gain/loss on the disposal of fixed assets. This category increased by \$29.5 million, or 65%, primarily caused by an increase of \$28.3 million in capital appropriations from the Virginia College Building Authority, 21st Century capital reimbursement program, for the Horizon Hall and Utilities Distribution Infrastructure projects described above.

Statement of Cash Flows

The final statement is the Statement of Cash Flows. This statement presents information about the cash activity of the University during the year. Cash flows from operations will always be different from the operating income/(loss) on the Statement of Revenues, Expenses, and Changes in Net Position (SRECNP). This difference occurs because SRECNP is prepared on the accrual basis of accounting and includes non-cash items, such as depreciation expense, while the Statement of Cash Flows presents cash inflows and cash outflows without regard to accrual items. The Statement of Cash Flows provides information to assess the ability of the University to generate cash flows sufficient to meet its obligations.

The statement is divided into five parts. The first section is operating cash flows and shows the net cash used by the operating activities of the institution. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for nonoperating, non-investing, and noncapital financing purposes such as the state appropriations for educational and general programs and financial aid. The third section includes the cash flows from capital financing activities and shows the purchases, proceeds, and interest received from these activities. This section deals with the cash used for the acquisition and construction of capital and related items. The fourth section deals with cash flows from investing activities. The fifth section reconciles the net cash used by operating activities to the operational loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position and is not presented in this summary presentation.

A summary of the University's Statement of Cash Flows follows:

Condensed Statement of Cash Flows *

	June 30, 2020	June 30, 2019	Dollar Change	Percent Change
Cash provided by operating activities	\$767,544	\$758,447	\$9,097	1%
Cash used by operating activities	(893,995)	(834,171)	(59,824)	-7%
Net cash used by operating activities	(126,451)	(75,724)	(50,727)	-67%
Net cash provided by noncapital financing activities	240,790	204,968	35,822	17%
Net cash used by capital financing activities	(85,082)	(71,749)	(13,333)	-19%
Net cash provided by investing activities	8,753	5,872	2,881	49%
Net increase in cash	38,010	63,367	(25,357)	-40%
Cash, beginning of year	476,465	413,098	63,367	15%
Cash, end of year	\$514,475	\$476,465	\$38,010	8%

* In thousands

The above summarized Statement of Cash Flows shows that during FY 2020 the University generated 85.9 percent (\$767.5 million of \$894.0 million expended) of its operating cash requirements from its own operations. This is slightly less than the 90.9 percent generated in FY 2019. The remainder (\$126.5 million) was provided from noncapital financing activities, which include non-capital appropriations from the Commonwealth of Virginia, non-capital private gifts, Pell Grants, and CARES Act funding.

Operating activities used \$59.8 million more cash in FY 2020 than in FY 2019, and generated \$9.1 million more cash than in FY 2019, resulting in an increased need for operating cash to be obtained from sources other than operating activities. Overall, operating activities resulted in a net usage of cash of \$126.5 million which was \$50.8 million more than in FY 2019.

The major sources of the \$9.1 million increase in cash provided by operating activities in FY 2020 compared to FY 2019 were grants & contracts (\$19.5 million increase) and other receipts, which includes Mason Korea (\$4.8 million increase). These increases were offset by a \$2.4 million decrease in student tuition and fees. Student tuition and fees revenue was comparable to FY 2019, but aid to students increased in FY 2020, causing the decrease in cash receipts. Cash provided by auxiliary enterprises also was reduced in FY 2020 (\$12.5 million) as a result of the COVID-19 campus closures.

The major causes of the \$59.8 million increase in cash used by operations in FY 2020 compared to FY 2019 were payments to employees for salaries, wages, and fringe benefits (\$36.6 million increase), payments for supplies and services (\$12.1 million increase) and payments for scholarships and fellowships (\$11.1 million increase).

Cash provided by non-capital financing activities increased \$35.8 million in FY 2020 compared to FY 2019, primarily due to a \$15.2 million increase in state appropriations and \$19.0 million of CARES Act funding.

In order to better understand cash flow from operations it's helpful to combine the two GASB required reporting categories of cash from operating activities and cash from noncapital financing activities. The general fund appropriations from the Commonwealth, Pell grants, and unrestricted gifts are not considered to be exchange transactions and therefore are not included in cash flows from operations in the GASB reporting format. They are, however, used to pay operating expenses, so it is informative to combine the two categories

for a more general understanding of cash flows from operations. The FY 2020 net positive cash flow generated by the two categories was \$114.3 million (negative \$126.5 for cash flows from operating activities and positive \$240.8 from cash flows from noncapital financing activities).

From the net positive cash flow produced by this broader view of operations, \$57.4 million was used to pay debt service (principal and interest payments), which is required to be reported as a capital financing activity, although it is not financed by the cash flows provided by capital financing activities.

Cash provided by capital financing activities included capital appropriations from the Commonwealth of Virginia and capital gifts and grants. Cash used by capital financing activities included the acquisition of capital assets and making debt principal and interest payments. In addition, the acquisition of capital assets is considered to be a capital financing activity but not all purchases of capital assets are funded by sources of cash included in the capital financing section. Unfinanced capital asset purchases are also paid for from the net positive cash flow provided by the broader view of operating cash flows described above.

The University's net cash used by capital financing activities increased by \$13.3 million in FY 2020 compared to FY 2019. This increase in cash used was primarily caused by an increase in proceeds from capital appropriations and capital grants and contributions of \$18.4 million, an increase in the advance from the Treasurer of Virginia of \$12.5 million, offset by an increase in cash used to purchase capital assets of \$20.0 million and a decrease in proceeds from the issuance of debt of \$24.2 million.

The primary sources of cash from investing activities are interest on cash balances, interest on unspent bond proceeds, and endowment investment earnings. The primary cash outflow from investing activities is the purchase of investments. During FY 2020, these activities generated \$2.9 million more cash than they did in FY 2019. This increased cash was a result of an increase in investment earnings.

Economic Outlook

As part of the Commonwealth of Virginia's statewide system of higher education, the University's economic outlook is closely tied to that of the Commonwealth, which like the rest of the country faces unprecedented challenges in the face of the ongoing COVID-19 pandemic. The University receives support from the Commonwealth in the form of operating and capital appropriations. Changes in student demographics and increasing student loan debt are additional external pressures impacting higher education institutions across the country. These pressures are somewhat mitigated at Mason because the University offers a range of affordable, high quality programs that attract and support a diverse and talented student population. In addition, strong economic conditions in Northern Virginia allow many Mason students to work while going to school.

Today, the University enrolls one of the most diverse student populations in the nation, from traditional college-age students to working adults seeking to complete their four-year degrees. The University improved its already strong ranking as one of the nation's most diverse universities in the U.S. News & World Report 2021 Best Colleges list. Mason is the top ranked public university in Virginia for ethnic diversity and tied for 15th nationally. Mason is also tied for 35th nationally for innovation, and made significant gains in several high-profile categories, including its rank among national universities (143, up 10 spots) and public universities (65, up seven spots) and reached the top 100 best schools for veterans. Incoming student classes continue to grow in size, in diversity, and in academic performance. The University is refining its operational and financial model to plan for and develop the infrastructure necessary to support a dynamic research university in a region that includes thousands of advanced industry employers essential to the Commonwealth's success in the 21st century innovation economy. Mason remains deeply committed to providing transformative learning experiences for all students, shaping their development as engaged citizens and well-rounded scholars, and preparing them to make a positive impact on the world.

The University offers high quality education programs using innovative approaches attractive to its diverse student population. In Fall 2020, the University and Northern Virginia Community College (NOVA) welcomed nearly 660 students into the ADVANCE program, bringing ADVANCE enrollment to more than 1,700 students in only its third year. ADVANCE increases access to a four-year degree by removing many of the obstacles that deter students along the way. Nationally, 80 percent of community college students say they intend to complete a four-year degree. Within seven years, however, only 15 percent have achieved that goal, in part because of barriers they encounter. The ADVANCE program aligns Mason and NOVA curricula, advising, financial aid and other student services to remove obstacles and decrease the time and cost for NOVA transfers to graduate from Mason. The first year of the program included several majors related to high-demand technology and health industries in support of key workforce needs of regional employers. The program now offers nearly 100 pathways to various degrees – five times as many as when initially launched. The University expects that ADVANCE will become a national model for supporting transfer students. Soon, Northern Virginia high school students will also have the opportunity to join the ADVANCE Program. The University and NOVA have already announced an Early College Pathway for students at Mount Vernon High School in Fairfax County, beginning in the 2020-21 academic year. In October 2019, the ADVANCE program received the John N. Gardner Institutional Excellence for Students in Transition Award. Education Dive named ADVANCE the Partnership of the Year in 2019 for its four-year cloud computing degree pathway with Amazon Web Services. Estimates indicate that ADVANCE enrollment could increase to more than 6,500 students by 2030. Cited by the Chronicle of Higher Education as “one of the nation’s most successful transfer partnerships,” the ADVANCE Program has received more than \$1 million in scholarship funds from the Northrop Grumman Foundation and Micron Technology Foundation. The Jack Kent Cooke Foundation pledged \$150,000 last fall to provide scholarship support for high-achieving ADVANCE students with financial need.

The University also continues to collaborate with Old Dominion University (ODU) to support the Online Virginia Network (OVN), an online degree completion initiative developed to support adult learners throughout the Commonwealth. OVN increases the number of college degree completers in Virginia, creating accessible and efficient pathways to a bachelor’s degree and providing more cost-effective programs than traditional degree offerings.

Through programs like ADVANCE and OVN and by providing more traditional pathways to 4-year and advanced degrees, Mason fuels the innovation engine of Northern Virginia, the Commonwealth, and beyond, preparing a world-class workforce – the University conferred approximately 10,300 degrees and awards in FY 2020 – poised to contribute in meaningful ways to the Commonwealth’s diverse innovation economy.

To accommodate its thriving education, research and innovation-commercialization programs, the University has engaged in the development of a Master Plan for all three campuses which will further identify and develop renewal and new academic, research and innovation facilities designed to support Mason growth and commitment to the Commonwealth. The Life Sciences and Engineering Building addition currently being programmed is a 100,000 GSF building that will support the instructional needs of students in STEM-H programs like Mechanical Engineering, Forensic Science, Bioengineering, and Computer Game Design. Mason is also expanding its Arlington campus, adding a new mixed-use facility that will anchor a computing centric innovation district on the vibrant Rosslyn-Ballston corridor. As the headquarters for the newly-launched Institute for Digital InnovAtion (IDIA), it will house the graduate programs of Mason’s planned School of Computing, complementing graduate programs offered by the Scalia Law School, the Business School, the Carter School for Peace and Conflict Resolution, and the Schar School of Policy and Government. To be constructed with funding provided by the Tech Talent Investment Program (TTIP) and philanthropic funds raised by the University, the facility will also house research and innovation programs supported by Mason and by other private and public sector partners, including industry, as well as incubators, accelerators and co-working spaces to support high-growth high-opportunity start-ups.

On Nov. 7, 2019, the Commonwealth of Virginia announced that the University will receive \$235 million towards the TTIP Program. The first of the two memorandums of understanding (MOU) that the University has executed with the Commonwealth calls for the state to invest \$125 million in Mason to produce a cumulative total of 7,538 master's graduates in tech fields over the next 20 years. This represents three times more graduates annually than the University produced in 2019. The second memorandum of understanding calls for the state to invest \$110 million in Mason to confer 8,410 undergraduate degrees in tech fields over that same period, about one-third more graduates annually than the University produced in 2019. In all, the University will produce about 30% of 25,000 additional graduates in tech fields over the next two decades to serve regional and state employers, including Amazon.

The University's Volgenau School of Engineering recently received the approval from the State Council of Higher Education for Virginia (SCHEV) to create the Department of Cyber Security Engineering, the first of its kind in the country. The new department, which was officially established on March 1, 2020 is home to the 500 undergraduate students currently working toward bachelor of science degrees in cyber security engineering. The curriculum advances hardware and software security in such areas as health, finance, 5G cellular networks, supply chain, logistics, infrastructure, autonomous vehicles, smart cities, and the internet of things.

In Fall 2020, the University shifted from virtual instruction to a hybrid model with a number of students returning to campus for in-person classes through the Safe Return to Campus plan. For the health and safety of the campus community, the majority of on-campus operations and events remain canceled or delayed, while some faculty and staff continue to telework. For the fiscal year ending June, 30, 2020, revenue from student housing, dining and parking was impacted as detailed in the Statement of Revenues, Expenses, and Changes in Net Position section above. The University expects revenue to continue to be impacted in FY 2021 with the prolongation of some virtual instruction. Expenses related to the Safe Return to Campus plan are expected to continue in FY 2021. The total financial impact and duration of altered business processes cannot be reasonably estimated at this time.

The University's commitment to continuing to accrue operational and administrative efficiencies and our constant innovation in the delivery of affordable, high quality education and research programs attractive to students, employers and sponsors, make us confident that we will continue to attract a diverse and talented student population and that our research and innovation programs will continue to prosper. Strong leadership and resilience of the Mason community will position the University to navigate a successful course through this unprecedented time. Our commitment to academic excellence compels us to find new paradigms for higher education.

FINANCIAL STATEMENTS

Statement of Net Position as of June 30, 2020

ASSETS

Current assets

Cash and cash equivalents (Note 2)	\$ 546,389,798
Accounts receivable, net of allowance of \$14,350,641 (Note 4)	59,761,287
Notes receivable, net of allowance of \$119,751 (Note 4)	349,985
Prepaid expenses	24,793,921
Inventories	765,348
Due from the Commonwealth of Virginia	20,102,475
Total current assets	652,162,814

Noncurrent assets

Restricted cash and cash equivalents (Note 2)	575,184
Restricted cash and cash equivalents in custody of others (Note 2)	97,865
Notes receivable, net of allowance of \$527,319 (Note 4)	1,544,114
Depreciable capital assets, net of accumulated depreciation (Note 5)	1,090,032,202
Nondepreciable capital assets (Note 5)	150,077,612
Net other postemployment benefits asset (Note 16)	6,082,132
Long-term investments (Note 2)	18,927,022
Total noncurrent assets	1,267,336,131

Total assets	1,919,498,945
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DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources - refundings of debt (Notes 8-9)	9,817,171
Deferred outflows of resources - pension (Note 15)	44,865,008
Deferred outflows of resources - other postemployment benefits (Note 16)	17,984,748
Total deferred outflows of resources	72,666,927

Total assets and deferred outflows of resources	1,992,165,872
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LIABILITIES

Current liabilities

Accounts payable and accrued expenses (Note 6)	71,457,760
Unearned revenue	80,758,373
Obligations under securities lending	32,587,555
Deposits held in custody for others	633,437
Long-term debt-current portion (Notes 7-10)	42,034,627
Other post-employment benefits liability - current portion (Note 7 and Note 16)	1,199,727
Accrued compensated absences- current portion (Note 7)	6,289,489
Total current liabilities	234,960,968

Noncurrent liabilities

Long-term debt (Notes 7-10)	479,676,025
Net pension liability (Note 7 and Note 15)	211,506,839
Net other postemployment benefits liability (Note 7 and Note 16)	100,202,778
Accrued compensated absences (Note 7)	16,202,195
Other noncurrent liabilities (Note 7)	2,449,854
Total noncurrent liabilities	810,037,691

Total liabilities	1,044,998,659
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DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources - refundings of debt (Notes 8-9)	2,168,625
Deferred inflows of resources - pension (Note 15)	12,424,235
Deferred inflows of resources - other postemployment benefits (Note 16)	37,551,124
Total deferred inflows of resources	52,143,984

Total liabilities and deferred inflows of resources	1,097,142,643
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NET POSITION

Net investment in capital assets	726,153,863
Restricted: nonexpendable (Note 18)	7,166,136
Restricted: expendable (Note 18)	6,314,013
Unrestricted	155,389,217
Total net position	\$ 895,023,229

The accompanying Notes to Financial Statements are an integral part of this statement.

Statement of Revenues, Expenses, and Changes in Net Position for the Year Ended June 30, 2020

Operating revenues

Student tuition and fees, net of scholarship allowances of \$102,179,473	\$ 392,743,922
Federal grants and contracts	122,764,657
State, local, and nongovernmental grants and contracts	33,169,915
Auxiliary enterprises, net of scholarship allowances of \$31,473,372	188,862,412
Other operating revenue	14,229,261
Total operating revenues	751,770,167

Operating expenses (Note 11)

Instruction	342,986,693
Research	112,653,915
Public service	22,528,335
Academic support	82,769,346
Student services	32,817,601
Institutional support	57,039,295
Operation and maintenance of plant	61,724,834
Depreciation and amortization	65,620,667
Student aid	39,882,927
Auxiliary enterprises	136,225,066
Total operating expenses	954,248,679

Operating income (loss)	(202,478,512)
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Nonoperating revenues (expenses)

State educational and general appropriation (Note 12)	150,343,170
State general fund appropriations - restricted	34,159,527
Pell Grant receipts	38,810,283
Gifts	4,196,061
ARRA Build America Bonds Subsidy	671,348
CARES Act Funding	13,065,261
Investment income	8,373,723
Other nonoperating revenue/(expense)	(3,010,155)
Interest expense (Note 13)	(17,976,535)
Net nonoperating revenues	228,632,683

Income before other revenues, expenses, gains, and losses	26,154,171
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Other revenues, expenses, gains, and losses

Capital grants and gifts	18,138,840
Capital appropriations	57,073,086
Additions to permanent endowments	300
Loss on disposal of capital assets	(198,469)
Net other revenues, expenses, gains, and losses	75,013,757

Increase in net position	101,167,928
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Net position beginning of year	793,855,301
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Net position end of year	\$ 895,023,229
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The accompanying Notes to Financial Statements are an integral part of this statement.

Statement of Cash Flows for the Year Ended June 30, 2020

Cash flows from operating activities

Student tuition and fees	\$ 390,551,544
Grants and contracts	172,070,706
Auxiliary enterprises	189,852,079
Other receipts	15,069,844
Payments to suppliers	(256,806,246)
Payments to employees	(597,305,478)
Payments for scholarships and fellowships	(39,882,927)
Net cash used by operating activities	(126,450,478)

Cash flows from noncapital financing activities

State appropriations	184,502,697
Federal Direct Loan Program receipts	151,470,979
Federal Direct Loan Program disbursements	(151,470,979)
Pell Grant receipts	38,810,283
Other net nonoperating revenue/(expense)	(3,010,155)
Noncapital gifts	1,463,028
CARES Act receipts	18,968,523
Agency receipts	1,137,751
Agency disbursements	(1,081,936)
Net cash provided by noncapital financing activities	240,790,191

Cash flows from capital and related financing activities

Proceeds from capital appropriations available	45,764,306
Capital grants and contributions	8,396,864
Proceeds from sale of capital assets	48,620
Principal paid on capital related debt	(37,040,820)
Interest paid on capital related debt	(20,315,727)
Purchases of capital assets	(81,935,007)
Net cash used by capital and related financing activities	(85,081,764)

Cash flows from investing

Interest on investments	8,605,555
Sale of investments	147,228
Net cash provided by investing activities	8,752,783

Net increase in cash

38,010,732

Cash and cash equivalents - beginning of the year	504,732,618
Less: Securities Lending - Treasurer of Virginia	(28,268,058)
Net cash and cash equivalents - beginning of the year	476,464,560

Cash and cash equivalents - end of the year (see next page)

\$ 514,475,292

The accompanying Notes to Financial Statements are an integral part of this statement.

Statement of Cash Flows for the Year Ended June 30, 2020

RECONCILIATION OF STATEMENT OF CASH FLOWS, STATEMENT OF NET POSITION

Statement of Net Position

Cash and cash equivalents (Unrestricted and Restricted)	\$ 547,062,847
Less: Securities lending - Treasurer of Virginia	(32,587,555)
Net cash and cash equivalents	<u>\$ 514,475,292</u>

RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating loss	\$ (202,478,512)
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation expense	65,620,667
Gift in Kind Expense	2,733,333
Changes in assets, liabilities, deferred outflows and deferred inflows:	
Accounts receivable (net)	(8,192,259)
Restricted assets receivable (net)	9,300,178
Perkins loan receivable	986,231
Inventory	(21,802)
Prepaid expenses	(2,923,783)
OPEB asset	773,868
Deferred outflows of resources- pension	(29,432,300)
Deferred outflows of resources- OPEB	2,549,777
Accounts payable and accrued liabilities	(6,332,156)
Unearned revenue	14,477,233
Perkins loan liability	(797,377)
Net pension liability	33,367,839
OPEB liability	(8,919,556)
Faculty Early Retirement liability	(5,600)
Compensated absences	2,843,741
Net cash used by operating activities	<u>\$ (126,450,478)</u>

Noncash investing, capital and financing activities:

The following transactions occurred prior to the Statement of Net Position date:

Capital assets acquired through gifts	\$ 406,521
Amortization of bond premium/discount and gain/loss on debt refinancing	(3,010,540)
Loss on disposal of capital assets	(149,849)
Capitalized interest accrual	969,338
Unrealized gain/loss on investments	(248,211)
Gift in Kind	2,733,333
Gift from GMUF (ITIP)	10,500,000

The accompanying Notes to Financial Statements are an integral part of this statement.

Component Units - Combined Statements of Financial Position as of June 30, 2020

	Total Component Units
ASSETS	
Cash and cash equivalents	\$ 47,958,283
Security deposits	101,124
Restricted cash and cash equivalents	10,144,889
Accounts receivable, net	1,290,558
Contributions receivable, net	23,752,837
Prepaid expenses and other assets	5,616,448
Net investment in direct financing lease	84,196,705
Beneficial interest in perpetual trusts	10,765,605
Land held for sale	6,211,054
Investments	250,826,725
Property and equipment, net	85,704,469
Deferred tax asset	183,000
Total assets	\$ 526,751,697
LIABILITIES AND NET ASSETS	
LIABILITIES	
Accounts payable and accrued expenses	\$ 12,596,177
Accrued payroll and related expenses	680,970
Grants and student research awards payable	2,380,015
Participation rent payable	430,756
Tenant security deposits liability	101,124
Unearned revenue	1,958,826
Charitable gift annuities	219,869
Other liabilities	561,999
Interest rate swap liability	16,348,464
Long-term debt including loan payable	180,141,210
Amounts held for others	22,756,912
Total liabilities	238,176,322
NET ASSETS	
Net assets without donor restrictions	32,833,527
Net assets with donor restrictions	255,741,848
Total net assets	288,575,375
Total liabilities and net assets	\$ 526,751,697

The accompanying Notes to Financial Statements are an integral part of this statement.

Component Units - Combined Statement of Activities for the Year Ended June 30, 2020

	Total Component Units
Operating revenues	
Contributions	\$ 93,381,704
Grants	31,440,282
Interest on direct financing lease	5,459,001
Investment and trust return	3,891,748
Miscellaneous and other income	588,906
Rental income, net	16,926,242
Service fees	9,726,073
Total operating revenues	161,413,956
Operating expenses	
Academic program support	129,131,452
Advertising and promotion	16,417
Depreciation	2,931,955
Fundraising	2,425,079
Insurance	282,823
Interest expense	7,455,392
Maintenance	196,657
Management fees	2,174,065
Office and other administrative expenses	2,445,592
Salaries and wages	7,028,719
Rent, utilities and other	4,303,646
Total operating expenses	158,391,797
Change in net assets before non-operating items and other changes	3,022,159
Non-operating items	(7,793,767)
Change in net assets	(4,771,608)
Beginning net assets - as originally reported	292,776,514
Prior period adjustment	570,469
Beginning net assets - as restated	293,346,983
Ending net assets	\$ 288,575,375

The accompanying Notes to Financial Statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

George Mason University is a comprehensive, doctoral institution that is part of the Commonwealth of Virginia's statewide system of higher education. The Board of Visitors, appointed by the Governor, is responsible for overseeing the governance of the University. A separate report is prepared for the Commonwealth of Virginia that includes all agencies, boards, commissions, and authorities over which the Commonwealth exercises or has the ability to exercise oversight authority. The University is a component unit of the Commonwealth of Virginia and is included in the general-purpose financial statements of the Commonwealth.

The George Mason University Foundation, Inc. (GMUF), Mason Housing, Inc. (MHI), George Mason University Instructional Foundation (GMUIF), Mason Korea, LLC (MK) and Mercatus Center, Inc. (Mercatus) are private, independent organizations whose close relationships with the University require them to be reported as component units of the University. GMUF, MHI, GMUIF, MK and Mercatus are discretely presented herein by separate page display.

GMUF was established to receive, hold, invest and administer property, and to make expenditures for the benefit of the University. During the year ended June 30, 2020, GMUF distributed \$100,745,136 to, or on behalf of, the University for both restricted and unrestricted purposes. Separate financial information for GMUF may be obtained by writing to the GMUF Business Office at 4400 University Drive, MSN 1A3, Fairfax, VA 22030.

MHI was established to build and manage the University's faculty and staff housing. Separate financial information for MHI may be obtained by writing to Mason Housing, Inc., Attn.: General Accounting, 4400 University Drive, MSN 4B2, Fairfax, VA 22030.

GMUIF was established to transmit educational and public affairs programming to the greater Washington, DC metropolitan area for a program fee under licenses issued by the Federal Communications Commission. During FY 14 the University and GMUIF agreed that GMUIF would establish, and be the sole member of, Mason Global Pathways, LLC. The purpose of Mason Global Pathways LLC is to invest in, and own 50% of, INTO Mason, LLC. INTO Mason, LLC was established to manage a new program to recruit international students and create pathways programs, providing the students the opportunity to become degree seeking students at the University. Separate financial information for GMUIF may be obtained by writing to GMUIF, Attn.: CFO, Kelley II - 10716 Kelley Drive, MSN 1D2, Fairfax, VA 22030.

MK was established to develop and operate a campus for the University on the Incheon Global Campus in Songdo, South Korea. Separate financial information for MK may be obtained by writing to Mason Korea, LLC, Attn.: General Accounting, 4400 University Drive, MSN 4B2, Fairfax, VA 22030.

Mercatus supports the University by providing a research center that conducts research, works with students to apply ideas to problems in the world and makes research findings available to the general public to connect academic learning with real-world practice. Separate financial information for Mercatus may be obtained by writing to Mercatus Center, Inc., Attn.: Gary Leff, 3434 Washington Blvd., 4th Floor, Arlington, VA 22201.

B. BASIS OF PRESENTATION

The University's accounting policies conform with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), in the Codification of Governmental Accounting and

Financial Reporting Standards. The University follows accounting and reporting standards for “reporting by special-purpose governments engaged only in business-type activities.”

GMUF, MHI, GMUIF, MK and Mercatus are private, nonprofit organizations that report under Financial Accounting Standards Board (FASB) standards. Their financial statements included herein are presented in accordance with those standards.

C. BASIS OF ACCOUNTING

The University’s financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus considers all inflows, outflows, and balances affecting an entity’s net position. Under the accrual basis, revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. All significant intra-agency transactions have been eliminated. The University’s policy is to spend restricted resources before unrestricted resources when both are available for expenses that are properly chargeable to restricted resources.

D. PREPAID EXPENSES

The University has recorded as a current asset certain expenses for fiscal year 2021 that were paid in advance as of June 30, 2020. These prepaid expenses consist primarily of facility rentals, insurance premiums and technology expenses.

E. INVENTORY

Inventory is composed of two distinct categories of items. The first category is natural gas, which is used to power the University’s physical plant. The second category consists of the on-hand stock of materials, supplies, and parts for use in maintaining the University’s physical plant. Both categories of inventory are valued at cost using the first-in, first-out inventory methodology.

F. INVESTMENTS

The University’s investments consist of an interest in an internal investment pool managed by GMUF. On October 31, 2019, GMUF gifted \$10,500,000, from its net assets without donor restriction, to the University to support key initiatives. As of June 30, 2020, the \$10,500,000 is included in this internal investment pool. The internal investment pool functions like an external investment pool. Investments in external investment pools are measured at the net asset value (NAV) per share, or its equivalent, determined by the pool. All investment income, including changes in the value of investments (unrealized gains and losses), is reported as nonoperating revenue in the Statement of Revenues, Expenses, and Changes in Net Position.

G. CAPITAL ASSETS

Capital assets include land, buildings, library materials, works of art and historical treasures, equipment, improvements, infrastructure assets such as sidewalks, electrical and computer network cabling systems and intangible assets including computer software. Capital assets generally are defined by the University as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of one year. Commencing with FY 2016, library books and materials are valued at averaged actual cost of purchase for library acquisitions. Prior to FY 2016, library books were valued at published averaged costs. Other capital assets are recorded at actual cost or estimated historical cost if purchased or constructed. Donated capital assets, including library books, are recorded at acquisition value at the date of donation, with the exception of intra-entity capital asset donations which are recorded at the carrying value of the asset on the transferor’s books as of the date of transfer. Expenses for major capital assets and improvements are capitalized as projects are constructed

(construction in progress). Interest expense relating to construction is capitalized net of interest income earned on resources set aside for this purpose. The costs of normal maintenance and repairs that do not enhance the use of an asset, or materially extend its useful life, are not capitalized.

Depreciation is computed using the straight-line method over the estimated useful life of the asset with no residual value. Depreciation is not allocated to the functional expense categories. Normal useful lives by asset categories are listed below:

- Buildings - 25-50 years*
- Improvements and infrastructure - 10-30 years
- Equipment - 3-20 years
- Intangibles including computer software - 5-10 years
- Library materials - 10 years

* Research buildings are depreciated using the component method. The estimated useful lives of research building components range from 10-50 years.

H. NONCURRENT CASH AND INVESTMENTS

Cash and investments that are externally restricted for expenditure in the acquisition or construction of noncurrent assets, to make debt service payments, or maintain sinking or reserve funds are classified as noncurrent assets in the Statement of Net Position.

I. UNEARNED REVENUE

Unearned revenue represents monies collected but not earned as of June 30, 2020. This is primarily composed of student tuition collected for courses that will be offered after June 30, 2020.

J. ACCRUED COMPENSATED ABSENCES

The amount of leave earned but not taken by salaried employees and administrative faculty members is recorded as a liability. The amount reflects, as of June 30, 2020, all unused vacation, overtime, compensatory, recognition and sick leave payable upon termination under University policy. The applicable share of employer related payroll taxes also is included.

K. FEDERAL FINANCIAL ASSISTANCE PROGRAMS

The University participates in federally funded Pell Grants, Supplemental Educational Opportunity Grants, Federal Work-Study, Direct Loan, and the Perkins Loan programs. Federal programs are audited in accordance with generally accepted governmental auditing standards.

L. NET POSITION

The Statement of Net Position reports the difference between assets plus deferred outflows and liabilities plus deferred inflows as net position. Net position is classified as net investment in capital assets; restricted; and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation less outstanding debt that is attributable to the acquisition, construction, or improvement of those assets. Net position is reported as restricted when constraints on the net position use are either externally imposed by creditors, grantors, or contributors; or imposed by law. Unrestricted net position consists of net position that does not meet the definitions above.

M. REVENUE CLASSIFICATIONS

Operating revenues include activities that have the characteristics of exchange transactions, such as: (1) student tuition and fees, net of scholarship discounts and allowances; (2) sales and services of auxiliary enterprises, net of scholarship allowances; and (3) federal, state, local and nongovernmental grants and contracts.

Governmental financial aid grants are treated as operating revenue, with the exception of Pell grants which are treated as nonoperating revenue in the University's financial statements.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and state appropriations. Nonoperating expenses include interest on debt related to the purchase of capital assets.

N. SCHOLARSHIP DISCOUNTS AND ALLOWANCES

Student tuition and fees revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the student's behalf.

O. DISCOUNTS, PREMIUMS, AND BOND ISSUANCE COSTS

General Obligation Bonds and notes payable on the Statement of Net Position are reported net of related discounts and premiums, which are recognized over the life of the bond. Deferred gains and losses on debt refundings are recorded as deferred inflows of resources and deferred outflows of resources, respectively. The deferred inflows and outflows are recognized as a component of interest expense over the remaining life of the old bond or the life of the new bond, whichever is shorter. Bond issuance costs are expensed.

P. COMMONWEALTH EQUIPMENT AND CAPITAL PROJECT REIMBURSEMENT PROGRAMS

The Commonwealth has established several programs to provide state-supported institutions of higher education with bond proceeds for financing the acquisition of instructional and research equipment and facilities. The Commonwealth issues bonds and uses the proceeds to reimburse the University, and other institutions of higher education, for expenses incurred in the acquisition of equipment and facilities. The bond liability is assumed by the Commonwealth and is not reflected as a liability on the University's financial statements.

During Fiscal Year 2020, funding has been provided to the University from three Reimbursement Programs:

- General Obligation Bonds (GOB) Capital Project
- 21st Century Capital Project
- Equipment Trust Fund (ETF)

The Statement of Net Position line item "Due from the Commonwealth of Virginia" includes pending reimbursements at year-end from these programs. The Statement of Revenues, Expenses, and Changes in Net Position line items "Capital grants and gifts" and "Capital appropriations" include the reimbursements from these programs.

Q. DEFINED BENEFIT PENSIONS

The Virginia Retirement System (VRS) State Employee Retirement Plan and the Virginia Law Officers' System (VaLORS) Retirement Plan are single employer pension plans that are treated like cost-sharing plans. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Virginia Retirement System (VRS) State Employee Retirement Plan and the Virginia Law Officers' System (VaLORS) Retirement Plan; and the additions to/deductions from the VRS State Employee Retirement Plan's and the VaLORS Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

R. DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

Deferred outflows of resources are defined as the consumption of net assets applicable to a future reporting period and increase net position similar to assets. Deferred inflows of resources are defined as the acquisition of net assets applicable to a future reporting period and decrease net position similar to liabilities.

S. OTHER POST-EMPLOYMENT BENEFITS

Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The Group Life Insurance Program was established pursuant to §51.1-500 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net Group Life Insurance Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, and Group Life Insurance Program OPEB expense, information about the fiduciary net position of the VRS Group Life Insurance program OPEB and the additions to/deductions from the VRS Group Life Insurance Program OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

State Employee Health Insurance Credit Program

The Virginia Retirement System (VRS) State Employee Health Insurance Credit Program is a single employer plan that is presented as a multiple-employer, cost-sharing plan. The State Employee Health Insurance Credit Program was established pursuant to §51.1-1400 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The State Employee Health Insurance Credit Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired state employees. For purposes of measuring the net State Employee Health Insurance Credit Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the State Employee Health Insurance Credit Program OPEB, and the State Employee Health Insurance Credit Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) State Employee Health Insurance Credit Program; and the additions to/deductions from the VRS State Employee Health Insurance Credit Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Line of Duty Act Program

The Virginia Retirement System (VRS) Line of Duty Act Program (LODA) is a multiple-employer, cost-sharing plan. The Line of Duty Act Program was established pursuant to §9.1-400 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Line of Duty Act Program provides death and health insurance benefits to eligible state employees and local government employees, including volunteers, who die or become disabled as a result of the performance of their duties as a public safety officer. In addition, health insurance benefits are provided to eligible survivors and family members. For purposes of measuring the net Line of Duty Act Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Line of Duty Act Program OPEB, and Line of Duty Act Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Line of Duty Act Program OPEB Plan and the additions to/deductions from the VRS Line of Duty Act Program OPEB Plan's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Disability Insurance Program

The Virginia Retirement System (VRS) Disability Insurance Program (Virginia Sickness and Disability Program) is a single employer plan that is presented as a multiple-employer, cost-sharing plan. The Disability Insurance Program was established pursuant to §51.1-1100 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Disability Insurance Program is a managed care program that provides sick, family and personal leave and short-term and long-term disability benefits for State Police Officers, state employees, and VaLORS employees. For purposes of measuring the net Disability Insurance Program OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to the Disability Insurance Program OPEB, and Disability Insurance Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Disability Insurance Program OPEB Plan and the additions to/deductions from the VRS Disability Insurance Program OPEB Plan's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Pre-Medicare Retiree Healthcare Plan

Pre-Medicare Retiree Healthcare is a single-employer defined benefit OPEB plan that is treated like a cost-sharing plan for financial reporting purposes. This program was established by Title 2.2, Chapter 28 of the *Code of Virginia* for retirees who are not yet eligible to participate in Medicare. It is the same health insurance program offered to active employees and managed by the Virginia Department of Human Resource Management. After retirement, the University no longer subsidizes the retiree's premium; however, since both active employees and retirees are included in the same pool for purposes of determining health insurance rates, retiree rates are effectively lower than what might otherwise be available outside of this benefit.

T. NEW ACCOUNTING PRONOUNCEMENTS

The GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. For the University, the requirements of this Statement are effective as of the current fiscal year ending June 30, 2020. The Statement has no effect on the University's financial statements.

The GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments.

The Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. For the University, the requirements of this Statement are effective as of the fiscal year ending June 30, 2022. The University has not yet determined the effect this Statement will have on its financial statements.

The GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. For the University, the requirements of this Statement are effective as of the fiscal year ending June 30, 2022. The University has not yet determined the effect this Statement will have on its financial statements.

The GASB issued Statement No. 90, *Majority Equity Interests*. The objectives of this statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. For the University, the requirements of this Statement are effective as of the current fiscal year ending June 30, 2020. The Statement has no effect on the University's financial statements.

The GASB issued Statement No. 91, *Conduit Debt Obligations*. The objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. For the University, the requirements of this Statement are effective as of the fiscal year ending June 30, 2023. The University has not yet determined the effect this Statement will have on its financial statements.

The GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following: the effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports, reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan, the applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended to reporting assets accumulated for postemployment benefits, the applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements, measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition, reporting by public entity risk pools for amounts that are recoverable for reinsurers or excess insurers, reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature, terminology used to refer to derivative instruments. The effective date of this statement varies by topic. The University has not yet determined the effect this Statement will have on its financial statements.

The GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. For the University, the removal of LIBOR as an appropriate benchmark interest rate, and all other requirements of this Statement, are effective as of the fiscal year ending June 30, 2022. The University has not yet determined the effect this Statement will have on its financial statements.

The GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues

related to public-private and public-public partnership arrangements (PPPs). This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). For the University, the requirements of this Statement are effective as of the fiscal year ending June 30, 2023. The University has not yet determined the effect this Statement will have on its financial statements.

The GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. The objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018 and later. The effective dates of certain provisions in the following pronouncements are postponed by one year: Statements No. 83, *Certain Asset Retirement Obligations*, Statement No. 84, *Fiduciary Activities*, Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placement*, Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, Statement No. 90, *Majority Equity Interests*, Statement No. 91, *Conduit Debt Obligations*, Statement No. 92, *Omnibus 2020*, Statement No. 93, *Replacement of Interbank Offered Rates*, Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*, Implementation Guide No. 2018-1, *Implementation Guidance Update – 2018*, Implementation Guide No. 2019-1, *Implementation Guide Update – 2019*, Implementation Guide No. 2019-2, *Fiduciary Activities*. The effective dates of the following pronouncements are postponed by 18 months: Statement No. 87, *Leases* and Implementation Guide No. 2019-3, *Leases*.

The GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). For the University, the requirements of this Statement are effective as of the fiscal year ending June 30, 2023. The University has not yet determined the effect this Statement will have on its financial statements.

The GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Some requirements of this Statement are effective immediately. For the University, the requirements related to Section 457 plans are effective as of the fiscal year ending June 30, 2022. The University has not yet determined the effect this Statement will have on its financial statements.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

The University's deposits and investments are subject to the following risks:

Custodial Credit Risk - the custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the University will not be able to recover the value of investment or collateral securities that are in possession of an outside party. The University's investments consist of an interest in an internal investment pool managed by George Mason University Foundation (GMUF). The investment pool contains corporate stocks and corporate bonds, both of which are subject to custodial credit risk. The other investments held by GMUF in the investment pool are not subject to custodial credit risk.

Credit Risk - the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit quality ratings are not required for U.S. government securities or other obligations explicitly guaranteed by the U.S. government. GMUF's investment pool contains corporate bonds, which are debt securities, and therefore subject to credit risk. Credit risk relative to these bonds is mitigated by GMUF's endowment investment policy guidelines on the credit quality of fixed income investments which state that the percentage of core fixed income assets rated below investment grade by one of the major reporting agencies (Standard and Poor's and Moody's) cannot exceed 25% of the total core fixed income allocation. The other investments held by GMUF in the investment pool are not investments of a type that are subject to credit risk.

Concentration of Credit Risk - the risk of loss attributed to the magnitude of a government's investment in a single issuer. Investments with any one issuer that represent five percent or more of total investments constitute concentration of credit risk. However, investments issued or explicitly guaranteed by the U.S. government, and investments in mutual funds, internal investment pools, and other pooled investments are excluded from the requirement. The University's interest in the internal investment pool managed by GMUF is a portion of the total investment pool managed by GMUF. In order to achieve a prudent level of portfolio diversification, GMUF's endowment investment policy guidelines require that not more than 5% of the portfolio may be invested in the securities of any one issuer, at cost, unless the issue is U.S. Government guaranteed, or an agency of the U.S. Government.

Interest Rate Risk - the risk that changes in interest rates will adversely affect the fair value of an investment. GMUF's investment pool contains money market funds. These money market funds have a maturity of less than one year. GMUF's investment pool also contains corporate bonds. These corporate bonds are subject to interest rate risk. The interest rate risk relative to these bonds is mitigated by GMUF's endowment investment policy guidelines on fixed income investments, which state that the weighted average portfolio duration of the core bond portfolio should not exceed 125% of the weighted average portfolio duration of the Barclays Aggregate Bond Index. The other investments held by GMUF in the investment pool are not investments of a type that are subject to interest rate risk.

Foreign Currency Risk - the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The University had no foreign investments or foreign deposits for FY 2020.

A. CASH AND CASH EQUIVALENTS

Pursuant to Section 2.2-1800, et seq., *Code of Virginia*, the Treasurer of Virginia, who is responsible for the collection, disbursement, custody, and investment of state funds, maintains all state funds of the University. Cash deposits held by the University are maintained in accounts that are collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400, et seq., *Code of Virginia*. Cash represents cash with the Treasurer, cash on hand, cash deposits including certificates of deposit and temporary investments with original maturities of three months or less and cash equivalents with the Virginia State Non-Arbitrage Program (SNAP). SNAP offers a professionally-managed money market mutual fund, which provides a temporary pooled investment vehicle for proceeds pending expenditure, and includes record keeping, depository and arbitrage rebate calculation services. SNAP complies with all requirements of GASB Statement 79. SNAP investments are reported using the net asset value per share, which is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

B. INVESTMENTS

The investment policy of the University is established by the Board of Visitors and monitored by the Finance and Land Use Committee of the Board. The University has cash and cash equivalents and investments as set forth in Section D.

C. SECURITIES LENDING TRANSACTIONS

Cash equivalents held by the Treasurer of Virginia represent the University's allocated share of cash collateral received and reinvested and securities received for the State Treasury's securities lending program. Information related to the credit risk of these investments and the State Treasury's securities lending program is available on a statewide level in the *Commonwealth of Virginia's Comprehensive Annual Financial Report*. The Commonwealth's policy is to record unrealized gains and losses in the General Fund in the Commonwealth's basic financial statements. When gains or losses are realized, the actual gains and losses are recorded by the affected agencies.

D. SUMMARY OF THE UNIVERSITY'S CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents	
Cash and cash equivalents:	
Local cash	\$22,319,144
Treasurer of Virginia	491,483,099
Treasurer of Virginia (Securities Lending)	32,587,555
Subtotal	546,389,798
Restricted cash and cash equivalents:	
Treasurer of Virginia (State Nonarbitrage Program)	\$575,184
Held in custody of others	97,865
Subtotal	673,049
Total Cash and cash equivalents	\$547,062,847

Investments	
	<u>Market Value</u>
Long term:	
GMUF Investment Pool	\$18,927,022
Total Investments	\$18,927,022

E. FAIR VALUE MEASUREMENT OF INVESTMENTS

The University categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are pricing inputs other than quoted prices in active markets; Level 3 inputs are not readily observable and require significant management estimation. Investments in internal investment pools are measured at the net asset value (NAV) per share, or its equivalent, determined by the pool. Investments measured at net asset value (NAV) are as follows:

	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
GMUF Investment Pool	\$18,927,022	N/A	N/A	N/A

3. DONOR-RESTRICTED ENDOWMENTS

The University's endowment is managed by the George Mason University Foundation (GMUF). During FY 2020, the net appreciation on the investments of donor-restricted endowments was negative due to an overall investment loss of \$108,086. Therefore, during FY 2020, no net appreciation of donor-restricted endowments became available for expenditure by the governing board.

Net appreciation/loss of donor restricted-endowments is recorded in the Net position of the University as an increase/decrease in Net position restricted- expendable to reflect the fact that the net appreciation must be spent in accordance with the stipulations set forth in the underlying endowment agreements.

The state law regarding the ability to spend net appreciation of donor-restricted endowments is the *Uniform Prudent Management of Institutional Funds Act*, Section 64.2-11 of the Code of Virginia.

GMUF's endowment policy seeks to maintain the growth of the present value of existing assets at a rate at least equal to the inflation rate plus the current spending rate. In fiscal year 2017, the spending rate was modified to fix the payout distributions for existing endowments at its fiscal year 2016 payout amount through fiscal year 2019. Payouts for existing endowments whose fair value equals or exceeds market value were calculated at 3.75% of the fiscal year 2016 market value. Payout distributions for new or fully funded endowments were calculated at 1.25% of the gift corpus through fiscal year 2019.

Effective fiscal year 2020, a banded inflation spending policy was implemented. For endowments in which the market value exceeds the original gift value, the prior year payout distribution will increase at the rate of the Consumer Price Index, with annual distributions to remain above 3% but not to exceed 6% of prior year fair market value. The endowment payout for accounts for which the market value is below the original gift value will receive a 2% of prior year fair market value payout. Payout distributions for new, fully funded endowments, or gifts to existing endowments of \$25,000 or more, are calculated at 1.25% of the gift.

4. ACCOUNTS AND NOTES RECEIVABLE

Accounts and notes receivable consisted of the following at June 30, 2020:

Accounts Receivable	
Student tuition and fees	\$30,078,962
Grants and contracts receivable (restricted)	30,818,201
Other accounts receivable	13,214,765
Total accounts receivable	\$74,111,928
Less allowance for doubtful accounts	(14,350,641)
Net accounts receivable	\$59,761,287
Notes Receivable	
Current:	
Perkins loans receivable	\$461,866
Nurse faculty loan	7,870
Less allowance for doubtful accounts	(119,751)
Net current notes receivable	\$349,985
Noncurrent:	
Perkins loan receivable	\$2,033,805
Nurse faculty loan	34,656
Local loans to student	2,972
Less allowance for doubtful accounts	(527,319)
Net non-current notes receivable	\$1,544,114

5. CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2020 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Non-depreciable capital assets:				
Land	\$22,328,863	\$-	\$-	\$22,328,863
Construction-in-progress	57,949,616	91,266,089	26,533,298	122,682,407
Works of art and historical treasures	5,066,342	-	-	5,066,342
Total non-depreciable capital assets	85,344,821	91,266,089	26,533,298	150,077,612
Depreciable capital assets:				
Buildings	1,450,548,433	14,341,687	-	1,464,890,120
Buildings – capital lease	101,980,822	-	-	101,980,822
Improvements	36,110,668	-	-	36,110,668
Infrastructure assets	69,927,922	-	-	69,927,922
Equipment	129,557,535	9,209,744	7,338,905	131,428,374
Equipment – capital lease	1,825,932	-	-	1,825,932
Intangibles including computer software	12,214,663	226,699	-	12,441,362
Library materials	105,268,738	903,171	26,962	106,144,947
Total depreciable capital assets	1,907,434,713	24,681,301	7,365,867	1,924,750,147
Less accumulated depreciation:				
Buildings	512,258,953	46,315,358	-	558,574,311
Buildings – capital lease	16,304,243	3,279,377	-	19,583,620
Improvements	29,649,518	1,056,555	-	30,706,073
Infrastructure assets	29,637,881	1,767,681	-	31,405,562
Equipment	85,904,454	9,288,771	7,091,817	88,101,408
Equipment – capital lease	1,825,932	-	-	1,825,932
Intangibles including computer software	11,962,007	60,612	-	12,022,619
Library materials	88,673,069	3,852,313	26,962	92,498,420
Total accumulated depreciation	776,216,057	65,620,667	7,118,779	834,717,945
Depreciable capital assets, net	1,131,218,656	(40,939,366)	247,088	1,090,032,202
Total capital assets, net	\$1,216,563,477	\$50,326,723	\$26,780,386	\$1,240,109,814

6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following at June 30, 2020:

Accounts Payable and Accrued Expenses	
Employee salaries, wages and fringe benefits payable	\$33,244,980
Vendors and suppliers accounts payable	15,401,068
Interest payable	4,101,068
Capital projects retainage payable	4,278,688
Capital projects and equipment accounts payable	14,431,956
Total accounts payable and accrued expenses	\$71,457,760

7. NONCURRENT LIABILITIES

Noncurrent liabilities consist of long-term debt, accruals for compensated absences and other noncurrent liabilities. A summary of changes in noncurrent liabilities for the year ended June 30, 2020 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Non-current Portion
Long-term debt:						
Revenue Bonds	\$162,007,070	\$15,570,000	\$27,510,787	\$150,066,283	\$10,934,397	\$139,131,886
Notes Payable	265,425,000	-	20,540,000	244,885,000	20,705,000	224,180,000
Capital Lease Obligation	92,477,309	-	4,012,692	88,464,617	4,305,440	84,159,177
Installment Purchases	3,646,294	-	711,093	2,935,201	656,799	2,278,402
Installment Purchases from direct borrowing & direct placements	1,949,853	-	968,001	981,852	981,852	-
Bond Premium	38,916,519	1,210,527	5,749,347	34,377,699	4,451,139	29,926,560
Total Long-term debt	564,422,045	16,780,527	59,491,920	521,710,652	42,034,627	479,676,025
Net Pension Liability	178,139,000	33,367,839	-	211,506,839	-	211,506,839
OPEB Liability	110,322,061	-	8,919,556	101,402,505	1,199,727	100,202,778
Accrued Compensated Absences	19,647,943	18,006,476	15,162,735	22,491,684	6,289,489	16,202,195
Other noncurrent liabilities:						
Faculty Early Retirement Incentive Liability	5,600	-	5,600	-	-	-
Loan Funds	3,247,231	-	797,377	2,449,854	-	2,449,854
Total Long-term Liabilities	\$875,783,880	\$68,154,842	\$84,377,188	\$859,561,534	\$49,523,843	\$810,037,691

8. BONDS PAYABLE

A. GENERAL OBLIGATION BONDS

The Commonwealth issues General Obligation Bonds, pursuant to Article X, Section 9c of the Constitution of Virginia. These General Obligation Bonds are backed by the full faith, credit, and taxing power of the Commonwealth, and are issued to finance capital projects which, when completed, are expected to generate revenue to repay the debt.

The following schedule describes each of the bonds outstanding:

Bond Title	Calendar Year Issued	Original Amount	Original Interest Rate	Original Bond Term	Fiscal Year Final Payment Due	Balance Outstanding at June 30, 2020
Housing VIII	2010	\$39,420,000	2.1 to 5.0%	25 Years	2035	\$28,190,000
Smithsonian CRC - Housing	2010	5,415,000	2.1 to 5.0%	25 Years	2035	3,870,000
Renovate Commons	2010	1,325,000	2.1 to 5.0%	20 Years	2030	805,000
Student Housing VII-C	2011	1,045,000	2.0 to 5.0%	25 Years	2036	825,000
Presidential Park Renovation	2011	2,700,000	2.0 to 5.0%	10 Years	2021	340,000
Housing VIII	2011	20,230,000	2.0 to 5.0%	25 Years	2036	15,560,000
Smithsonian CRC - Housing	2011	4,070,000	2.0 to 5.0%	25 Years	2036	3,205,000
Renovate Commons	2011	14,350,000	2.0 to 5.0%	20 Years	2031	9,910,000
9(c) 2012 A Refunding (2005)	2012	2,674,040	3.0 to 5.0%	12 Years	2024	2,674,040
9(c) 2013 B Refunding (2005)	2013	10,504,185	3.0 to 5.0%	17 Years	2030	9,532,214
9(c) 2013 B Refunding (2006)	2013	9,186,889	4.0 to 5.0%	13 Years	2026	7,821,663
9(c) 2013 B Refunding (2007)	2013	5,162,482	4.0 to 5.0%	12 Years	2025	3,852,169
Housing VIII	2014	2,235,000	2.0 to 5.0%	20 Years	2034	1,760,000

Bond Title	Calendar Year Issued	Original Amount	Original Interest Rate	Original Bond Term	Fiscal Year Final Payment Due	Balance Outstanding at June 30, 2020
9(c) 2015 B Refunding (2006B)	2015	11,765,000	3.0 to 5.0%	16 Years	2031	11,765,000
9(c) 2015 B Refunding (2007B)	2015	7,670,410	3.0 to 5.0%	17 Years	2032	7,035,623
9(c) 2015 B Refunding (Housing VII 2008B)	2015	1,366,447	3.0 to 5.0%	18 Years	2033	1,235,060
9(c) 2015 B Refunding (Housing VIIC 2008B)	2015	17,565,586	3.0 to 5.0%	18 Years	2033	15,867,191
9(c) 2015 B Refunding (Pres Park II 2008B)	2015	1,999,393	4.0 to 5.0%	13 Years	2028	1,673,323
9(c) 2016 B Refunding (2009B)	2016	12,420,000	2.0 to 5.0%	17 Years	2034	11,825,000
9(c) 2019 B Refunding (2001, 2009C)	2019	5,645,000	2.0 to 5.0%	5 Years	2024	5,595,000
9(c) 2019 B Refunding (2002, 2009C)	2019	1,690,000	5.0%	3 Years	2022	1,160,000
9(c) 2019 B Refunding (2009D)	2019	8,235,000	5.0%	3 Years	2022	5,565,000
Total Bonds Payable		\$186,674,432				\$150,066,283

Long-term debt from bonds as of June 30, 2020 matures as follows:

Year	Principal	Interest	BAB Interest Subsidy*	Total Net of Subsidy
2021	\$10,934,397	\$6,295,854	\$(483,434)	\$16,746,817
2022	11,080,861	5,808,482	(463,203)	16,426,140
2023	11,011,845	5,301,879	(441,489)	15,872,235
2024	11,469,881	4,811,691	(418,426)	15,863,146
2025	10,520,664	4,325,026	(393,793)	14,451,897
2026-2030	58,935,125	14,404,518	(1,525,441)	71,814,202
2031-2035	34,458,510	3,868,248	(619,343)	37,707,415
2036-2040	1,655,000	66,200	-	1,721,200
Total	\$150,066,283	\$44,881,898	\$(4,345,129)	\$190,603,052

* The University expects the BAB (Build America Bonds) subsidy to occur as displayed. However, the subsidy is subject to intervening Congressional action and thus is not guaranteed.

B. 2020 DEFEASANCE OF DEBT

In August 2019, the Treasury Board, on behalf of the University, issued \$15,570,000 of General Obligation Refunding Bonds, Series 2019B to refund \$16,612,291 of Series 2001, 2002, 2005 and 2006B bonds. The resulting net gain of \$706,419 will be amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter.

The details of each bond issue refunded are below.

Bond Title	Bonds Refunded	Interest Rate (Bonds Refunded)	Refunding Bonds Issued	Interest Rate (Refunding Bonds)	Accounting Gain (Loss)	Reduction in Debt Service	Economic Gain (Loss)
Student Housing V, Series 2001	\$6,087,890	4.0%	\$5,645,000	2.0 – 5.0%	\$111,251	\$581,676	\$560,711
Student Housing V, Series 2002	1,794,401	4.0%	1,690,000	5.0%	86,577	95,496	93,825
Student Housing VII, Series 2005	3,555,000	5.0%	3,345,000	5.0%	230,723	267,165	245,917
Student Housing VII, Series 2006B	5,175,000	5.0%	4,890,000	5.0%	277,868	365,829	359,282
Total	\$16,612,291		\$15,570,000		\$706,419	\$1,310,166	\$1,259,735

9. NOTES PAYABLE

A. VCBA NOTES

The University participates in the Public Higher Education Financing Program (Pooled Bond Program) created by the Virginia General Assembly in 1996. Through the Pooled Bond Program, the Virginia College Building Authority (VCBA) issues 9(d) bonds and uses the proceeds to purchase debt obligations (notes) of the University and various other institutions of higher education. VCBA Pooled Bonds are reported as Notes Payable by the University. The University's general revenue secures these notes.

The following schedule describes each of the notes outstanding:

Note Title	Calendar Year Issued	Original Amount	Original Interest Rate	Original Note Term	Fiscal Year Final Pymt Due	Balance Outstanding at June 30, 2020
Arlington Phase II	2009	\$7,945,000	2.1 to 5.0%	25 Years	2021	\$15,000
PW Performing Arts Center RB#3	2009	17,960,000	2.1 to 5.0%	20 Years	2021	50,000
Parking Deck III - Phase I	2009	9,790,000	2.1 to 5.0%	25 Years	2021	20,000
PE Building, Phase I	2009	2,750,000	2.1 to 5.0%	20 Years	2021	5,000
Surge Space & Fit-Out	2009	10,730,000	2.1 to 5.0%	20 Years	2021	30,000
Academic VI/Research II, RB#2	2009	20,335,000	2.1 to 5.0%	20 Years	2021	55,000
PE Building, Phase II	2009	5,245,000	2.1 to 5.0%	20 Years	2021	15,000
Biomedical Research Lab, RB#2	2009	6,405,000	2.1 to 5.0%	20 Years	2021	15,000
Hotel & Conference Center	2009	25,190,000	2.1 to 5.0%	30 Years	2021	35,000
Student Union I Addition/Renovation	2009	7,980,000	2.1 to 5.0%	20 Years	2021	20,000
Parking Deck III, Phase II	2009	13,885,000	2.1 to 5.0%	25 Years	2021	25,000
West Campus Connector & Campus Entrances	2009	6,010,000	2.1 to 5.0%	20 Years	2021	15,000
Student Union II Renovation	2010	2,935,000	3.75 to 5.5%	20 Years	2031	1,940,000
Student Union I Addition/Renovation	2010	5,390,000	3.75 to 5.5%	20 Years	2031	3,550,000
Smithsonian CRC-Dining	2010	2,395,000	3.75 to 5.6%	25 Years	2036	1,810,000
Krasnow Institute Addition II	2010	5,215,000	2.0 to 5.5%	20 Years	2031	3,320,000
Fieldhouse Life/Safety/Code Renovation	2010	1,395,000	3.75 to 5.5%	20 Years	2031	920,000
Repair Aquatic & Fitness Center HVAC	2010	2,325,000	2.0 to 5.0%	10 Years	2021	280,000
VCBA 2010B Refunding (2003A)	2010	2,990,000	2.0 to 5.0%	10 Years	2021	805,000
Fairfax Campus Dining	2011	6,090,000	5.00%	10 Years	2022	1,600,000
Smithsonian CRC – Dining	2011	2,158,288	3.0 to 5.0%	25 Years	2037	1,719,291
Central Utility Plant	2011	531,712	3.0 to 5.0%	25 Years	2037	450,709
VCBA 2012A Refunding (2003A)	2012	5,525,000	3.0 to 5.0%	12 Years	2025	3,630,000
VCBA 2012A Refunding (Aquatic Center 2004A)	2012	3,130,000	5.00%	8 Years	2021	590,000
VCBA 2012A Refunding (Research I 2004A)	2012	6,310,000	2.75 to 5.0%	13 Years	2026	3,830,000
VCBA 2012A Refunding (2005A)	2012	4,260,000	3.0 to 5.0%	12 Years	2025	2,850,000
Fieldhouse Life/Safety/Code Renovation	2012	1,168,210	4.0 to 5.0%	10 Years	2023	375,413
Central Utility Plant	2012	1,891,790	4.0 to 5.0%	10 Years	2023	799,587
W Campus Connector & Campus Entrances	2013	2,135,000	2.0 to 5.0%	10 Years	2024	1,040,000
Ike's Dining	2013	7,830,000	2.0 to 5.0%	20 Years	2034	6,280,000
Johnson Center	2013	2,620,000	2.0 to 5.0%	8 Years	2022	470,367
Central Utility Plant	2013	3,065,000	2.0 to 5.0%	20 Years	2034	2,804,633
Renovate Fieldhouse	2013	3,230,000	1.0 to 3.5%	10 Years	2024	1,530,000
VCBA 2013B Refunding (2006A)	2013	7,280,000	1.0 to 4.0%	14 Years	2028	4,505,000
VCBA 2013B Refunding (2009A)	2013	1,845,000	1.0 to 4.0%	15 Years	2029	1,195,000
VCBA 2014B Refunding (2005A)	2014	1,455,000	3.0 to 5.0%	12 Years	2027	1,035,000
VCBA 2014B Refunding (2006A)	2014	16,640,000	3.0 to 5.0%	9 Years	2024	10,205,000
VCBA 2014B Refunding (2007A)	2014	28,290,000	3.0 to 5.0%	11 Years	2026	22,235,000
VCBA 2015B Refunding (Arlington Ph II 2009A)	2015	5,595,000	3.0 to 5.0%	18 Years	2034	5,595,000
VCBA 2015B Refunding (PW Perf Arts 2009A)	2015	10,375,000	3.0 to 5.0%	13 Years	2029	10,375,000
VCBA 2015B Refunding (Parking Deck Ph I 2009A)	2015	6,520,000	3.0 to 5.0%	18 Years	2034	6,520,000
VCBA 2015B Refunding (PE Bldg Ph I 2009A)	2015	1,580,000	3.0 to 5.0%	13 Years	2029	1,580,000
VCBA 2015B Refunding (Surge Space/Fit Out 2009A)	2015	6,185,000	3.0 to 5.0%	13 Years	2029	6,185,000
VCBA 2015B Refunding (Acad VI/Res II 2009A)	2015	11,750,000	3.0 to 5.0%	13 Years	2029	11,750,000

Note Title	Calendar Year Issued	Original Amount	Original Interest Rate	Original Note Term	Fiscal Year Final Pymt Due	Balance Outstanding at June 30, 2020
VCBA 2015B Refunding (PE Bldg Ph II 2009A)	2015	3,020,000	3.0 to 5.0%	13 Years	2029	3,020,000
VCBA 2015B Refunding (Biomed Rsch Lab 2009A)	2015	3,685,000	3.0 to 5.0%	13 Years	2029	3,685,000
VCBA 2015B Refunding (Hotel & Conf Ctr 2009A)	2015	15,790,000	3.0 to 5.0%	23 Years	2039	15,790,000
VCBA 2015B Refunding (SUB I Add/Renov 2009A)	2015	4,600,000	3.0 to 5.0%	13 Years	2029	4,600,000
VCBA 2015B Refunding (Park Deck III Ph II 2009A)	2015	9,275,000	3.0 to 5.0%	18 Years	2034	9,275,000
VCBA 2015B Refunding (W Campus Connect 2009A)	2015	3,460,000	3.0 to 5.0%	13 Years	2029	3,460,000
VCBA 2016A Refunding (Krasnow 2006A)	2016	390,000	3.00%	10 Years	2027	390,000
VCBA 2016A Refunding (PE Add/Renov 2006A)	2016	1,750,000	3.0 to 5.0%	12 Years	2029	1,750,000
VCBA 2016A Refunding (PE Bldg Add, Ph II 2006A)	2016	805,000	3.0 to 5.0%	12 Years	2029	805,000
VCBA 2016A Refunding (PW Bio Lab 2006A)	2016	3,825,000	3.0 to 5.0%	12 Years	2029	3,825,000
VCBA 2016A Refunding (PW Perf Arts Ctr 2006A)	2016	3,105,000	3.0 to 5.0%	12 Years	2029	3,105,000
VCBA 2016A Refunding (Student Union III 2006A)	2016	1,315,000	3.0 to 5.0%	11 Years	2028	1,315,000
VCBA 2016A Refunding (Surge Space Fit Out 2006A)	2016	390,000	3.0 to 5.0%	11 Years	2028	390,000
VCBA 2016A Refunding (Surge Space Bldg 2006A)	2016	1,595,000	3.0 to 5.0%	11 Years	2028	1,595,000
VCBA 2016A Refunding (PW Perf Arts Ctr 2007A)	2016	1,285,000	3.0 to 5.0%	11 Years	2028	1,285,000
VCBA 2016A Refunding (Parking Deck III 2007A)	2016	7,795,000	3.0 to 5.0%	16 Years	2033	7,795,000
VCBA 2016A Refunding (PE Bldg Ph I 2007A)	2016	1,285,000	3.0 to 5.0%	11 Years	2028	1,285,000
VCBA 2016A Refunding (Surge Space Bldg 2007A)	2016	450,000	3.0 to 5.0%	11 Years	2028	450,000
VCBA 2016A Refunding (Acad VI/Res II 2007A)	2016	745,000	3.0 to 5.0%	11 Years	2028	745,000
VCBA 2016A Refunding (PE Bldg Add, Ph II 2007A)	2016	575,000	3.0 to 5.0%	11 Years	2028	575,000
VCBA 2016A Refunding (Hotel & Conf Ctr 2007A)	2016	8,345,000	3.0 to 5.0%	21 Years	2038	8,345,000
VCBA 2016A Refunding (Sub I Renov 2007A)	2016	765,000	3.0 to 5.0%	11 Years	2028	765,000
VCBA 2016A Refunding (Student Union III 2007A)	2016	2,255,000	3.0 to 5.0%	16 Years	2033	2,255,000
VCBA 2016A Refunding (Arl Ph II 2009B)	2016	3,520,000	3.0 to 5.0%	18 Years	2035	3,520,000
VCBA 2016A Refunding (PW Perf Arts Ctr 2009B)	2016	2,195,000	3.0 to 5.0%	13 Years	2030	2,195,000
VCBA 2016A Refunding (Surge Space Fit Out 2009B)	2016	1,020,000	3.0 to 5.0%	13 Years	2030	1,020,000
VCBA 2016A Refunding (Biomed Rsch Lab 2009B)	2016	1,225,000	3.0 to 5.0%	13 Years	2030	1,225,000
VCBA 2016A Refunding (Hotel & Conf Ctr 2009B)	2016	5,955,000	3.0 to 5.0%	23 Years	2040	5,955,000
VCBA 2016A Refunding (Sub I Add/Renov 2009B)	2016	4,980,000	3.0 to 5.0%	13 Years	2030	4,980,000
VCBA 2016A Refunding (SUB II Renov 2009B)	2016	3,120,000	3.0 to 5.0%	13 Years	2030	3,120,000
Utilities Distribution Infrastructure	2017	3,240,000	2.125 to 5.0%	20 Years	2038	3,025,000
Utilities Distribution Infrastructure	2018	21,925,000	4.0 to 5.0%	20 Years	2039	21,265,000
Total Notes Payable		\$428,015,000				\$244,885,000

Long-term debt from Notes Payable as of June 30, 2020 matures as follows:

Year	Principal	Interest	BAB Interest Subsidy*	Total Net of Subsidy
2021	\$20,705,000	\$10,242,061	\$(199,099)	\$30,747,962
2022	20,770,000	9,248,876	(184,941)	29,833,935
2023	20,475,000	8,243,229	(171,847)	28,546,382
2024	21,070,000	7,228,019	(157,747)	28,140,272
2025	21,340,000	6,260,374	(142,524)	27,457,850
2026-2030	91,020,000	18,353,458	(435,859)	108,937,599
2031-2035	35,240,000	5,558,193	(56,981)	40,741,212
2036-2040	14,265,000	1,010,629	(1,421)	15,274,208
Total	\$244,885,000	\$66,144,839	\$(1,350,419)	\$309,679,420

* The University expects the BAB (Build America Bonds) subsidy to occur as displayed. However, the subsidy is subject to intervening Congressional action and thus is not guaranteed.

10. INSTALLMENT PURCHASES PAYABLE & CAPITAL LEASE OBLIGATIONS

A. INSTALLMENT PURCHASES PAYABLE

The University has entered into various installment purchase contracts to finance the acquisition of photocopiers, pianos, the equipment necessary for the implementation of the Energy Performance Contract Agreements and other equipment. The remaining lengths of the purchase agreements range from one to five years with varying rates of interest.

The outstanding installment purchases from direct borrowings and direct placements are secured with a first priority security interest in the energy equipment purchased with the financing. The borrowing contains a provision that outstanding amounts become due immediately if the University is unable to make payment. In the event of payment default, the lender can retake possession of the equipment.

Principal and interest payments on these commitments for fiscal years subsequent to June 30, 2020 are as follows:

Year	Installment Purchases		Installment Purchases from Direct Borrowings & Direct Placements	
	Principal	Interest	Principal	Interest
2021	\$656,799	\$41,828	\$981,852	\$8,750
2022	662,685	31,973	-	-
2023	587,573	22,318	-	-
2024	510,423	14,702	-	-
2025	517,721	7,403	-	-
Total	\$2,935,201	\$118,224	\$981,852	\$8,750

B. CAPITAL LEASE OBLIGATIONS

During FY 2011, the University entered into a twenty-five year capital lease with George Mason University Foundation (GMUF) for the provision of a 150,000 square foot administration building at the Fairfax campus. In May 2018, GMUF issued refunding revenue bonds, the proceeds of which were used to retire the outstanding bonds and the interest rate swap termination fee (see Note 19.E). The refunding did not have a material effect on the capital lease. The University has accounted for the acquisition of the administration building and its furniture and equipment as a capital lease, and therefore has recorded the building and its furniture and equipment as depreciable capital assets, and has also recorded a corresponding lease liability in long-term debt, both of which are on its Statement of Net Position as of June 30, 2020.

During FY 2013, the University began a 30 year capital lease with George Mason University Foundation (GMUF) for the provision of an 80,858 square foot residence hall at the Prince William campus. During 2020, in order to take advantage of the historically low long-term interest rates, GMUF executed an advance refunding on the outstanding bonds (see Note 19E). The savings was passed onto the University and a deferred inflow of \$89,463 was recorded on the transaction. It will be amortized over the remaining life of the capital lease. The University has accounted for the acquisition of the residence hall as a capital lease, and therefore has recorded the building as a depreciable capital asset, and has recorded a corresponding lease liability in long-term debt, both on its Statement of Net Position as of June 30, 2020.

During FY 2014, the University began a 20 year capital lease with George Mason University Foundation (GMUF) for the provision of a 31,879 square foot office building and land in downtown Fairfax, close to the Fairfax campus.

The University has accounted for the acquisition of the office building as a capital lease, and therefore has recorded land as a non-depreciable capital asset, the building as a depreciable capital asset, and has recorded a corresponding lease liability in long-term debt, all on its Statement of Net Position as of June 30, 2020.

During FY 2015, the University began a 29.5 year capital lease with George Mason University Foundation (GMUF) for the provision of a 75,000 square foot lab building at the Prince William campus. The University has accounted for the acquisition of the lab building as a capital lease, and therefore has recorded the building as a depreciable capital asset, and has recorded a corresponding lease liability in long-term debt, both on its Statement of Net Position as of June 30, 2020.

During FY 2018, the University began a 10 year capital lease with George Mason University Foundation (GMUF) for the provision of an 183,000 square foot residence hall at the Fairfax campus. The University has accounted for the acquisition of the residence hall as a capital lease, and therefore has recorded the building as a depreciable capital asset, and has recorded a corresponding lease liability in long-term debt, both on its Statement of Net Position as of June 30, 2020.

Payments of principal, interest, and executory costs on the capital leases for fiscal years subsequent to June 30, 2020 are as follows:

Fiscal Year	Principal	Interest	Executory	Total
2021	\$4,305,440	\$4,243,418	\$346,243	\$8,895,101
2022	4,488,826	4,060,032	346,243	8,895,101
2023	4,680,807	3,868,051	346,243	8,895,101
2024	4,881,816	3,667,042	346,243	8,895,101
2025	5,092,318	3,456,540	346,243	8,895,101
2026-2030	23,107,783	13,956,837	1,669,610	38,734,230
2031-2035	20,230,491	8,820,418	499,091	29,550,000
2036-2040	15,239,730	3,811,179	499,091	19,550,000
2041-2045	6,437,406	382,958	199,636	7,020,000
Total	\$88,464,617	\$46,266,475	\$4,598,643	\$139,329,735

11. EXPENSES BY NATURAL CLASSIFICATION

The following table shows a classification of expenses both by function as listed in the Statement of Revenues, Expenses, and Changes in Net Position and by natural classification, which is the basis for amounts shown in the Statement of Cash Flows.

	Salaries and Wages	Fringe Benefits	Goods and Services	Student Aid	Depreciation & Amortization	Total
Instruction	\$237,053,738	\$64,918,290	\$41,014,665	\$-	\$-	\$342,986,693
Research	47,514,966	9,828,793	55,310,156	-	-	112,653,915
Public Service	11,112,938	2,645,073	8,770,324	-	-	22,528,335
Academic Support	48,436,839	16,288,730	18,043,777	-	-	82,769,346
Student Services	20,681,000	6,914,234	5,222,367	-	-	32,817,601
Institutional Support	38,016,286	13,204,878	5,818,131	-	-	57,039,295
Operation & Maintenance	18,995,669	7,588,445	35,140,720	-	-	61,724,834
Depreciation & Amortization	-	-	-	-	65,620,667	65,620,667
Student Aid	-	-	-	39,882,927	-	39,882,927
Auxiliary Enterprises	43,583,993	13,306,971	79,334,102	-	-	136,225,066
Totals	\$465,395,429	\$134,695,414	\$248,654,242	\$39,882,927	\$65,620,667	\$954,248,679

12. STATE APPROPRIATIONS - CURRENT UNRESTRICTED FUNDS

George Mason University receives appropriations from the General Fund of the Commonwealth. The Appropriation Act specifies that unexpended General Fund appropriations that remain on the last day of the current year, ending June 30, 2020, shall be reappropriated for expenditure in the first month of the next year, beginning on July 1, 2020, except as may be specifically provided otherwise by the General Assembly. The Governor may, at his discretion, unallot funds from the reappropriated balances that relate to unexpended appropriations.

The following is a summary of General Fund appropriations received by the institution including all supplemental appropriations and reversions:

General Fund Appropriations	
Original Appropriation	\$143,239,436
Central Appropriations Distributions:	
State Employee Salary Increase Adjustments	5,558,902
State Employee Health Insurance Adjustments	958,649
Health Insurance Premium Holiday Adjustment	(1,440,074)
State Employee Sickness/Disability Adjustments	(11,251)
State Employee Retirement Adjustments	3,960
PMIS Internal Service Fund Charges Adjustment	(16,768)
Other Central Appropriations Adjustments	38,547
FY20 Carryforward	1,032,432
VIVA	57,548
Virginia Degree Completion Network	830,000
TTIP Award	3,274,758
In-State Undergraduate Tuition Moderation	6,524,000
Other General Fund Adjustments	1,427,170
Reversion to General Fund – planned FY21 carryforward	(11,134,139)
Total	<u>\$150,343,170</u>

13. INTEREST EXPENSE

During fiscal year 2020, the University incurred interest charges totaling \$18,945,872. Of this amount, \$969,337 was capitalized as part of the cost of construction and \$17,976,535 was expensed.

14. COMMITMENTS

A. OPERATING LEASES

The University is committed under various operating leases for rental of off-campus facilities. The future lease terms are for periods of one to eight years. Facility rental expenses for the fiscal year ended June 30, 2020 were \$8,292,154. The University had, as of June 30, 2020, the following total future minimum rental payments due under the above leases:

Year Ended June 30	Total
2021	\$6,629,503
2022	6,574,460
2023	6,244,157
2024	5,859,944
2025	4,763,298
2026-2030	5,063,797
Total	\$35,135,159

B. CONSTRUCTION

Outstanding commitments for capital outlay projects that were under construction at June 30, 2020 were \$41,421,239.

15. RETIREMENT AND PENSION SYSTEMS

A. VIRGINIA RETIREMENT SYSTEM (VRS) STATE EMPLOYEE DEFINED BENEFIT RETIREMENT PLAN AND VIRGINIA LAW OFFICERS SYSTEM (VaLORS) DEFINED BENEFIT RETIREMENT PLAN

Plan Description

All full-time, salaried permanent employees of state agencies are automatically covered by the VRS State Employee Retirement Plan or the VaLORS Retirement Plan upon employment. These plans are administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees in the VRS State Employee Retirement Plan – Plan 1, Plan 2, and Hybrid; and two different benefit structures for covered employees in the VaLORS Retirement Plan – Plan 1 and Plan 2. Each of these benefit structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.	About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.	About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. <ul style="list-style-type: none"> • The defined benefit is based on a member's age, service credit and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
		<p>depends on the member and employer contributions made to the plan and the investment performance of those contributions.</p> <ul style="list-style-type: none"> • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.</p> <p><i>Hybrid Opt-In Election</i> VRS Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p><i>Hybrid Opt-In Election</i> Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • State employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014 <p><i>*Non-Eligible Members</i> Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Members of the Virginia Law Officers' Retirement System (VaLORS) <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions State employees, excluding state elected officials, and optional retirement plan participants, contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined</p>	<p>Retirement Contributions Same as Plan 1.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the</p>

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.		defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.
Service Credit Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	Service Credit Same as Plan 1.	Service Credit <i>Defined Benefit Component:</i> Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. <i>Defined Contributions Component:</i> Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.
Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.	Vesting Same as Plan 1.	Vesting <i>Defined Benefit Component:</i> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. <i>Defined Contributions Component:</i> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
		<p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distributions not required, except as governed by law.</p>
<p>Calculating the Benefit The basic benefit is determined using the average final compensation, service credit and a plan multiplier. An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <i>Defined Benefit Component:</i> See definition under Plan 1</p> <p><i>Defined Contribution Component:</i> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p>	<p>Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for service credit earned, purchased or granted on or after January 1, 2013.</p>	<p>Service Retirement Multiplier <i>Defined Benefit Component:</i> VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p>VaLORS: Not applicable.</p>

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
VaLORS: The retirement multiplier for VaLORS employees is 1.70% or 2.00%.	VaLORS: The retirement multiplier for VaLORS employees is 2.00%.	<i>Defined Contribution Component:</i> Not applicable.
Normal Retirement Age VRS: Age 65. VaLORS: Age 60.	Normal Retirement Age VRS: Normal Social Security retirement age. VaLORS: Same as Plan 1.	Normal Retirement Age <i>Defined Benefit Component:</i> VRS: Same as Plan 2. VaLORS: Not applicable. <i>Defined Contribution Component:</i> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit. VaLORS: Age 60 with at least five years of service credit or age 50 with at least 25 years of service credit.	Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of service credit or when their age and service equal 90. VaLORS: Same as Plan 1.	Earliest Unreduced Retirement Eligibility <i>Defined Benefit Component:</i> VRS: Normal Social Security retirement age and have at least five years (60 months) of service credit or when their age and service equal 90. VaLORS: Not applicable. <i>Defined Contribution Component:</i> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit. VaLORS: Age 50 with at least five years of service credit.	Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of service credit. VaLORS: Same as Plan 1.	Earliest Reduced Retirement Eligibility <i>Defined Benefit Component:</i> VRS: Age 60 with at least five years (60 months) of service credit. VaLORS: Not applicable. <i>Defined Contribution Component:</i> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. <i>Eligibility:</i> For members who retire with an unreduced benefit or with a reduced	Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%. <i>Eligibility:</i> Same as Plan 1	Cost-of-Living Adjustment (COLA) in Retirement <i>Defined Benefit Component:</i> Same as Plan 2. <i>Defined Contribution Component:</i> Not applicable. <i>Eligibility:</i> Same as Plan 1 and Plan 2.

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>benefit with at least 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><i>Exceptions to COLA Effective Dates:</i> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability. • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. <p>The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.</p>	<p><i>Exceptions to COLA Effective Dates:</i> Same as Plan 1</p>	<p><i>Exceptions to COLA Effective Dates:</i> Same as Plan 1 and Plan 2.</p>
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage State employees (including Plan 1 and Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p>

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VSDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	Purchase of Prior Service Same as Plan 1.	Purchase of Prior Service <i>Defined Benefit Component:</i> Same as Plan 1, with the following exception: <ul style="list-style-type: none"> Hybrid Retirement Plan members are ineligible for ported service. <i>Defined Contribution Component:</i> Not applicable.

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each state agency's contractually required employer contribution rate for the year ended June 30, 2020 was 13.52% of covered employee compensation for employees in the VRS State Employee Retirement Plan. For employees in the VaLORS Retirement Plan, the contribution rate was 21.61% of covered employee compensation. These rates were based on actuarially determined rates from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the University to the VRS State Employee Retirement Plan were \$19,102,470 and \$17,627,449 for the years ended June 30, 2020 and June 30, 2019, respectively. Contributions from the University to the VaLORS Retirement Plan were \$600,334 and \$595,024 for the years ended June 30, 2020 and June 30, 2019, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, the University reported a liability of \$206,046,664 for its proportionate share of the VRS State Employee Retirement Plan Net Pension Liability and a liability of \$5,460,175 for its proportionate share of the VaLORS Retirement Plan Net Pension Liability. The Net Pension Liability was measured as of June 30, 2019 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The University's proportion of the Net Pension Liability was based on the University's actuarially determined employer contributions to the pension plan for the year ended June 30, 2019, relative to the total of the

actuarially determined employer contributions for all participating employers. At June 30, 2019, the University's proportion of the VRS State Employee Retirement Plan was 3.26037% as compared to 3.19351% at June 30, 2018. At June 30, 2019, the University's proportion of the VaLORS Retirement Plan was 0.78673% as compared to 0.84312% at June 30, 2018.

For the year ended June 30, 2020, the University recognized pension expense of \$23,148,913 for the VRS State Employee Retirement Plan and \$647,023 for the VaLORS Retirement Plan. Since there was a change in proportionate share between June 30, 2018 and June 30, 2019, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2020, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$4,348,578	\$5,605,880
Net difference between projected and actual earnings on pension plan investments	-	5,238,120
Change in assumptions	16,550,903	8,184
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,262,723	1,572,051
Employer contributions subsequent to measurement date	19,702,804	-
Total	\$44,865,008	\$12,424,235

\$19,702,804 reported as deferred outflows of resources related to pensions resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the Fiscal Year ending June 30, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year Ended June 30	
FY 2021	\$5,337,282
FY 2022	1,396,250
FY 2023	5,587,992
FY 2024	416,445

Actuarial Assumptions

The total pension liability for the VRS State Employee Retirement Plan was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

Inflation	2.50%
Salary increases, including inflation	3.5% – 5.35%
Investment rate of return	6.75% percent, net of pension plan investment expenses, including inflation*

** Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.*

Mortality rates:

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 25%
Discount Rate	Decrease rate from 7.00% to 6.75%

The total pension liability for the VaLORS Retirement Plan was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

Inflation	2.50%
Salary increases, including inflation	3.5% – 4.75%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation*

** Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.*

Mortality rates:

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 1 year.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decrease rate from 50% to 35%
Discount Rate	Decrease rate from 7.00% to 6.75%

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position.

As of June 30, 2019, NPL amounts for the VRS State Employee Retirement Plan and the VaLORS Retirement Plan are as follows (amounts expressed in thousands):

	State Employee Retirement <u>Plan</u>	VaLORS Retirement <u>Plan</u>
Total Pension Liability	\$ 25,409,842	\$ 2,190,025
Plan Fiduciary Net Position	<u>19,090,110</u>	<u>1,495,990</u>
Employers' Net Pension Liability (Asset)	<u>\$ 6,319,732</u>	<u>\$ 694,035</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.13%	68.31%

The total pension liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net pension liability is disclosed in accordance with the requirements of GASB Statement No. 67 in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS—Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP-Private Investments Partnerships	3.00%	6.29%	0.19%
Total	100.00%		5.13%
Inflation			2.50%
* Expected arithmetic nominal return			7.63%

** The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.*

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the University for the VRS State Employee Retirement Plan and the VaLORS Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2019, on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the University's proportionate share of the VRS State Employee Retirement Plan net pension liability using the discount rate of 6.75%, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
University's proportionate share of the VRS State Employee Retirement Plan Net Pension Liability	\$302,680,798	\$206,046,664	\$124,812,288

The following presents the University's proportionate share of the VaLORS Retirement Plan net pension liability using the discount rate of 6.75%, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
University's proportionate share of the VaLORS Retirement Plan Net Pension Liability	\$7,668,002	\$5,460,175	\$3,636,140

Pension Plan Fiduciary Net Position

Detailed information about the VRS State Employee Retirement Plan's Fiduciary Net Position or the VaLORS Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2019 *Comprehensive Annual Financial Report* (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Pension Plan

As of June 30, 2020, the University had a payable to VRS in the amount of \$1,152,582. Of this amount, \$1,082,200 was for the VRS State Employee Retirement Plan and \$70,382 was for VaLORS. These amounts represent current legally required contributions to the pension plan not yet remitted to VRS in accordance with the payment terms.

The University's employer pension contribution amounts for each month are calculated based on employee salaries as of the first business day of each month multiplied by the legally required contribution rate and paid to VRS no later than the 10th of the following month.

B. HYBRID RETIREMENT PLAN – DEFINED CONTRIBUTION COMPONENT

The University's expenses also include the amount assessed by the Commonwealth for the employer's required contributions to the defined contribution component of the Hybrid retirement plan.

During FY 2020, the employer's required retirement contribution rate was 1% for the defined contribution component of the Hybrid Plan. These contributions totaled \$566,303 for the year ended June 30, 2020. All participants were required to contribute 1% to the defined contribution portion of the Hybrid Plan.

During FY 2020, participants were permitted to make voluntary contributions of up to 4% to the Hybrid plan which the University is required to match with an employer contribution of up to 2.5%. The employer matching contribution totaled \$638,896 for the year ended June 30, 2020.

Contributions to the Hybrid plan were calculated using plan's covered payroll of \$56,630,254 for the year ended June 30, 2020.

C. FACULTY RETIREMENT PLANS

Most full-time faculty and certain administrative staff participate in one faculty retirement plan with two investment providers rather than the VRS. These are defined contribution plans where the retirement benefits received are based upon the employer's contribution plus interest and dividends.

For plan participants hired prior to July 1, 2010, the employer's contribution was 10.4% and the participant was not required to make contributions to the plan. Plan participants hired after June 30, 2010 received an employer contribution of 8.5% and were required to contribute 5%. The plan structure for participants hired after June 30, 2010 is designated in the table below with a 2 following the investment providers' names.

Individual contracts issued under the plan provide for full and immediate vesting of the University's contributions. Total pension expense under these plans was \$19,860,742 for the fiscal year ended June 30, 2020 based on total covered payroll of \$210,972,733. The University's outstanding liability for accrued pension expense as of June 30, 2020 was \$678,126. The change in the accrued liability amount from the prior year end was an increase of \$42,747, which accounts for the difference between the pension contributions made to plan

trustees, as set forth in the table below, and the pension expense amount stated above. FY 2020 pension contributions were calculated using the plan's covered payroll of \$210,506,790 for Fiscal Year 2020.

The following table summarizes the contributions and participation in the optional retirement plans:

Faculty Retirement Plan	Pension Contributions Made to Plan Trustees	Plan's Covered Payroll	Contribution Percentage
TIAA-CREF*	\$7,486,760	\$71,988,080	10.4%
TIAA-CREF 2	4,244,293	49,932,859	8.5%
Fidelity Investments	3,049,635	29,323,414	10.4%
Fidelity Investments 2	5,037,307	59,262,437	8.5%
Total	\$19,817,995	\$210,506,790	

*Teachers Insurance and Annuity Association/College Retirement Equities Fund

D. DEFERRED COMPENSATION

Employees of the University are employees of the Commonwealth of Virginia. State employees may participate in the Commonwealth's Deferred Compensation Plan. Participating employees can contribute to the plan each pay period with the Commonwealth matching up to \$20 per pay period. The dollar amount match can change depending on the funding available in the Commonwealth's budget. The Commonwealth's Deferred Compensation Plan is a qualified defined contribution plan under Section 401(a) of the Internal Revenue Code.

Employees may also participate in a University sponsored 403(b) plan or Roth plan, and receive Employer matching contributions on the same basis as the Commonwealth's plan.

Employer contributions under these Deferred Compensation Plans were \$1,256,324 for the fiscal year ended June 30, 2020.

16. OTHER POSTEMPLOYMENT BENEFITS

The University participates in postemployment benefit programs that are sponsored by the Commonwealth and administered by the Virginia Retirement System. These programs include the Group Life Insurance Program (GLI), Retiree Health Insurance Credit Program (HIC), Line of Duty Act Program (LODA) and Virginia Sickness and Disability Program (VSDP). The University also participates in the Pre-Medicare Retiree Healthcare Plan (PMRH), which is sponsored by the Commonwealth and administered by the Department of Human Resources Management.

Virginia Retirement System OPEB Plans			
GLI	HIC	LODA	VSDP
<i>Plan Description</i>	<i>Plan Description</i>	<i>Plan Description</i>	<i>Plan Description</i>
All full-time, salaried permanent employees of the state agencies, teachers and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OPEB	All full-time, salaried permanent employees of state agencies are automatically covered by the VRS State Employee Health Insurance Credit Program. This plan is administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the	All paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS) are automatically	All full-time and part-time permanent salaried state employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS) or the Virginia Law Officers' Retirement System (VaLORS) hired on or after January 1, 1999 are automatically covered by the Disability Insurance Program

<p>plans, for public employer groups in the Commonwealth of Virginia.</p> <p>In addition to the Basic Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the Group Life Insurance Program OPEB.</p>	<p>Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.</p>	<p>covered by the Line of Duty Act Program (LODA). As required by statute, the Virginia Retirement System (the System) is responsible for managing the assets of the program. Participating employers made contributions to the program beginning in FY 2012. The employer contributions are determined by the System's actuary using anticipated program costs and the number of covered individuals associated with all participating employers.</p>	<p>(VSDP) upon employment. The Disability Insurance Program also covers state employees hired before January 1, 1999 who elected to transfer to VSDP rather than retain their eligibility to be considered for disability retirement. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OBEB plans, for public employer groups in the Commonwealth of Virginia.</p>
<p>Eligible Employees</p> <p>The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:</p> <ul style="list-style-type: none"> • City of Richmond • City of Portsmouth • City of Roanoke • City of Norfolk • Roanoke City Schools Board <p>Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated member contributions and accrued interest.</p>	<p>Eligible Employees</p> <p>The State Employee Retiree Health Insurance Credit Program was established January 1, 1990 for retired state employees covered under VRS, SPORS, VaLORS and JRS who retire with at least 15 years of service credit.</p> <p>Eligible employees are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none"> • Full-time and part-time permanent salaried state employees covered under VRS, SPORS, VaLORS and JRS. 	<p>Eligible Employees</p> <p>The eligible employees of the Line of Duty Act Program (LODA) are paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS).</p>	<p>Eligible Employees</p> <p>The Virginia Sickness and Disability Program (VSDP), also known as the Disability Insurance Trust Fund was established January 1, 1999 to provide short-term and long-term disability benefits for non-work-related and work-related disabilities.</p> <p>Eligible employees are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none"> • Full-time and part-time permanent salaried state employees covered under VRS, SPORS, and VaLORS (members new to VaLORS following its creation on October 1, 1999, have been enrolled since the inception of VSDP). • State employees hired before January 1, 1999, who elected to transfer to VSDP rather than retain their eligibility to

			<p>be considered for VRS disability retirement.</p> <ul style="list-style-type: none"> Public college and university faculty members who elect the VRS defined benefit plan. They may participate in VSDP or their institution's disability program, if offered. If the institution does not offer the program or the faculty member does not make an election, he or she is enrolled in VSDP.
<p>Benefit Amounts</p> <p>The benefits payable under the Group Life Insurance Program have several components.</p> <ul style="list-style-type: none"> <u>Natural Death Benefit</u> – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. <u>Accidental Death Benefit</u> – The accidental death benefit is double the natural death benefit. <u>Other Benefit Provisions</u> – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit and accelerated death benefit option. <p>Reduction in Benefit Amounts</p> <p>The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction</p>	<p>Benefit Amounts</p> <p>The State Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees:</p> <ul style="list-style-type: none"> <u>At Retirement</u> – For State employees who retire with at least 15 years of service credit, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount. <u>Disability Retirement</u> – For State employees, other than state police officers, who retire on disability or go on long-term disability under the Virginia Sickness and Disability Program (VSDP), the monthly benefit is \$120.00 or \$4.00 per year of service, whichever is higher. <p>For State police officers with a non-work-related disability who retire on disability or go on long-term disability under the Virginia Sickness and Disability Program (VSDP) the monthly benefit is \$120.00 or \$4.00 per year of service, whichever is higher.</p>	<p>Benefit Amounts</p> <p>The Line of Duty Act Program (LODA) provides death and health insurance benefits for eligible individuals:</p> <ul style="list-style-type: none"> <u>Death</u> – The Line of Duty Act program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows: <ul style="list-style-type: none"> \$100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after. \$25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date. An additional \$20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001. <u>Health Insurance</u> – The Line of Duty Act program provides health insurance benefits. 	<p>Benefit Amounts</p> <p>The Virginia Sickness and Disability Program (VSDP) provides the following benefits for eligible employees:</p> <ul style="list-style-type: none"> <u>Leave</u> – Sick, family and personal leave. Eligible leave benefits are paid by the employer. <u>Short-Term Disability</u> – The program provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. The benefit provides income replacement beginning at 100% of the employee's pre-disability income, reducing to 80% and then 60% based on the period of the disability and the length of service of the employee. Short-term disability benefits are paid by the employer. <u>Long-Term Disability</u> – The program provides a long-term disability benefit beginning after 125 workdays of short-term disability and continuing until the employee reaches his or her normal retirement age. The benefit provides income replacement of

<p>factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.</p>	<p>For State police officers with a work-related disability, there is no benefit provided under the State Employee Retiree Health Insurance Credit Program if the premiums are being paid under the Virginia Line of Duty Act. However, they may receive the credit for premiums paid for other qualified health plans.</p>	<ul style="list-style-type: none"> • Prior to July 1, 2017, these benefits were managed through the various employer plans and maintained the benefits that existed prior to the employee's death or disability. These premiums were reimbursed to the employer by the LODA program. • Beginning July 1, 2017, the health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members. Individuals receiving the health insurance benefits must continue to meet eligibility requirements as defined by the Line of Duty Act. 	<p>60% of the employee's pre-disability income. If an employee becomes disabled within five years of his or her normal retirement age, the employee will receive up to five years of VSDP benefits, provided he or she remains medically eligible. Long-term disability benefits are paid for by the Virginia Disability Insurance Program (VSDP) OPEB Plan.</p> <ul style="list-style-type: none"> • <u>Income Replacement Adjustment</u> – The program provides for an income replacement adjustment to 80% for catastrophic conditions. • <u>VSDP Long-Term Care Plan</u> – The program also includes a self-funded long-term care plan that assists with the cost of covered long-term care services.
<p>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</p> <p>For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute in 2015. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to \$8,463 effective July 1, 2019.</p>	<p>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</p> <p>Not Applicable</p>	<p>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</p> <p>Not Applicable</p>	<p>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</p> <p>During periods an employee receives long-term disability benefits, the LTD benefit may be increased annually by an amount recommended by the actuary and approved by the Board.</p> <ul style="list-style-type: none"> • Plan 1 employees vested as of 1/1/2013 – 100% of the VRS Plan 1 COLA (The first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to

			<p>4%) up to a maximum COLA of 5%).</p> <ul style="list-style-type: none"> Plan 1 employee non-vested as of 1/1/2013, Plan 2 and Hybrid Plan employees – 100% of the VRS Plan 2 and Hybrid COLA (The first 2% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 2%) up to a maximum COLA of 3%). <p>For participating full-time employees taking service retirement, the creditable compensation may be increased annually by an amount recommended by the actuary and approved by the Board, from the date of the commencement of the disability to the date of retirement.</p> <ul style="list-style-type: none"> 100% of the increase in the pay over the previous plan year for continuing VSDP members in the State, SPORS, and VaLORS Plans, with a maximum COLA of 4.00% <p>For participating full-time employees receiving supplemental (work-related) disability benefits, the creditable compensation may be increased annually by an amount recommended by the actuary and approved by the Board, from the date of the commencement of the disability to the date of retirement</p> <ul style="list-style-type: none"> 100% of the increase in the pay over the previous plan year for continuing VSDP members in the State, SPORS, and VaLORS Plans, with a maximum COLA of 4.00%.
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	Health Insurance Credit Program Notes: <ul style="list-style-type: none"> • The monthly Health Insurance Credit benefit cannot exceed the individual's premium amount. • Employees who retire after being on long-term disability under VSDP must have at least 15 years of service credit to qualify for the Health Insurance Credit as a retiree. 		Disability Insurance Program (VSDP) Plan Notes: <ul style="list-style-type: none"> • Employees hired or rehired on or after July 1, 2009, must satisfy eligibility periods before becoming eligible for non-work-related short-term disability benefits and certain income-replacement levels. • A state employee who is approved for VSDP benefits on or after the date that is five years prior to his or her normal retirement date is eligible for up five years of VSDP benefits. • Employees on work-related short-term disability receiving only a workers' compensation payment may be eligible to purchase service credit for this period if retirement contributions are not being withheld from the workers' compensation payment. The rate will be based on 5.00% of the employee's compensation.
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Department of Human Resources Management OPEB Plan Pre-Medicare Retiree Healthcare Plan (PMRH)	
Plan Description	
<p>The Commonwealth provides a healthcare plan established by Title 2.2, Chapter 28 of the <i>Code of Virginia</i> for retirees who are not yet eligible to participate in Medicare. This fund is reported as part of the Commonwealth's Healthcare Internal Service Fund. Benefit payments are recognized when due and payable in accordance with the benefit terms. Pre-Medicare Retiree Healthcare is a single-employer defined benefit OPEB plan that is treated like a cost-sharing plan for financial reporting purposes, and is administered by the Department of Human Resource Management. There were approximately 4,800 retirees and 89,000 active employees in the program in fiscal year 2019. There are no inactive employees entitled to future benefits who are not currently receiving benefits. There are no assets accumulated in a trust to pay benefits.</p>	
<p>Following are eligibility requirements for Virginia Retirement System retirees:</p> <ul style="list-style-type: none"> • You are a retiring state employee who is eligible for a monthly retirement benefit from the Virginia Retirement System (VRS), and • You start receiving (do not defer) your retirement benefits immediately upon retirement*, and • Your last employer before retirement was the Commonwealth of Virginia, and • You were eligible for (even if you were not enrolled) coverage as an active employee in the State Health Benefits Program until your retirement date (not including Extended Coverage/COBRA), and • You enroll no later than 31 days from your retirement date. 	

*For VRS retirees, this means your employing agency reported a retirement contribution or leave without pay status for retirement in the month immediately prior to your retirement date. Some faculty members may also be eligible if they are paid on an alternate pay cycle but maintain eligibility for active coverage until their retirement date.

Effective January 1, 2017**, following are eligibility requirements for Optional Retirement Plan retirees:

- You are a terminating state employee who participates in one of the qualified Optional Retirement Plans, and
- Your last employer before termination was the Commonwealth of Virginia, and
- You were eligible for (even if you were not enrolled) coverage in the State Health Benefits Program for active employees at the time of your termination, and
- You meet the age and service requirements for an immediate retirement benefit under the non-ORP Virginia Retirement System plan that you would have been eligible on your date of hire had you not elected the ORP, and
- You enroll in the State Retiree Health Benefits Program no later than 31 days from the date you lose coverage (or lost eligibility for coverage) in the State Health Benefits Program for active employees due to your termination of employment.

**This change applies to ORP terminations effective January 1, 2017, or later. Eligibility for those who terminated employment prior to January 1 should be determined based on the policy in place at the time of their termination.

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2020 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the University were \$1,918,639 and \$1,739,638 for the years ended June 30, 2020 and June 30, 2019, respectively.

The contribution requirement for the HIC program active employees is governed by §51.1-1400(D) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each state agency's contractually required employer contribution rate for the year ended June 30, 2020 was 1.17% of covered employee compensation for employees in the VRS State Employee Health Insurance Credit Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the University to the VRS State Employee Health Insurance Credit Program were \$4,267,404 and \$3,896,135 for the years ended June 30, 2020 and June 30, 2019, respectively.

The contribution requirements for the Line of Duty Act Program (LODA) are governed by §9.1-400.1 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the Line of Duty Act Program (LODA) for the year ended June 30, 2020 was \$705.77 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the Line of Duty Act Program (LODA) from the University were \$28,937 and \$33,171 for the years ended June 30, 2020 and June 30, 2019, respectively.

The contribution requirements for the Disability Insurance Program (VSDP) are governed by §51.1-1140 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the Disability Insurance Program (VSDP) for the year ended June 30, 2020 was 0.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits payable during the year, with an adjustment to amortize the accrued OPEB assets. Contributions to the Disability Insurance Program (VSDP) from the University were \$843,318 and \$777,972 for the year ended June 30, 2020 and June 30, 2019, respectively.

Under the PMRH program, the University does not pay a portion of the retirees' healthcare premium; however, since both active employees and retirees are included in the same pool for purposes of determining health insurance rates, this generally results in a higher rate for active employees. Therefore, the University effectively subsidizes the costs of the participating retirees' healthcare through payment of the employer's portion of the premiums for active employees.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the VRS OPEB Plans and Pre-Medicare Retiree Healthcare

At June 30, 2020, the University reported the following liabilities (assets) for its proportionate share of these programs:

GLI	\$27,770,761
HIC	45,108,461
LODA	886,740
VSDP	(6,082,132)
PMRH	27,636,542

The liabilities were measured as of June 30, 2019 and the total OPEB liability used to calculate each net OPEB Liability was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The Pre-Medicare Retiree Healthcare OPEB liability was measured as of June 30, 2019 and was determined by an actuarial valuation as of June 30, 2019. The University's proportion of the Net OPEB Liability for GLI, HIC and VSDP was based on the University's actuarially determined employer contributions to these programs for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. The University's proportion of the Net LODA OPEB Liability was based on the University's actuarially determined pay-as-you-go employer contributions to the LODA plan for the year ended June 30, 2019 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. The covered employer's proportion of the PMRH OPEB liability was based on each employer's healthcare premium contributions as a percentage of the total employer's healthcare premium contributions for all participating employers.

The University's proportion for each plan at June 30, 2019 and June 30, 2018 are as follows:

	GLI	HIC	LODA	VSDP	PMRH
June 30, 2019	1.71%	4.89%	0.25%	3.10%	4.07%
June 30, 2018	1.71%	4.80%	0.22%	3.04%	3.97%

For the year ended June 30, 2020, the University recognized the following expenses for these programs:

GLI	\$722,699
HIC	4,089,099
LODA	71,391
VSDP	477,220
PMRH	(2,655,445)

Since there was a change in proportionate share between measurement dates, a portion of these expenses was related to deferred amounts from changes in proportion.

At June 30, 2020, the University reported deferred outflows of resources and deferred inflows of resources related to these programs from the following sources:

GLI	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$1,846,921	\$360,210
Net difference between projected and actual earnings on GLI OPEB program investments	-	570,433
Change in assumptions	1,753,284	837,411
Changes in proportion	522,635	139,228
Employer contributions subsequent to measurement date	1,918,639	-
Total	\$6,041,479	\$1,907,282

HIC	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$24,588	\$548,061
Net difference between projected and actual earnings on State HIC OPEB plan investments	-	17,723
Change in assumptions	928,307	308,889
Changes in proportionate share	1,232,350	273,670
Employer contributions subsequent to measurement date	4,267,404	-
Total	\$6,452,649	\$1,148,343

LODA	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$128,887	\$-
Net difference between projected and actual earnings on LODA OPEB plan investments	-	1,755
Change in assumptions	41,607	76,870
Changes in proportion	78,065	70,497
Employer contributions subsequent to measurement date	28,937	-
Total	\$277,496	\$149,122

VSDP	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$778,725	\$244,831
Net difference between projected and actual earnings on VSDP OPEB plan investments	-	234,875
Change in assumptions	110,387	346,393
Changes in proportion	53,243	170,831
Employer contributions subsequent to measurement date	843,318	-
Total	<u>\$1,785,673</u>	<u>\$996,930</u>

PMRH	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$-	\$14,023,136
Change in assumptions	-	19,147,007
Changes in proportion	2,250,839	179,304
Amounts associated with transactions subsequent to the measurement date	1,176,612	-
Total	<u>\$3,427,451</u>	<u>\$33,349,447</u>

The following amounts reported as deferred outflows of resources related to each program, resulting from the University's contributions subsequent to the measurement date, will be recognized as a reduction of each program's net liability (asset) in the fiscal year ending June 30, 2021:

GLI	\$1,918,639
HIC	4,267,404
LODA	28,937
VSDP	843,318
PMRH	1,176,612

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB programs will be recognized in each program's expense in future reporting periods as follows:

Year Ended June 30	GLI	HIC	LODA	VSDP	PMRH
FY 2021	\$179,201	\$147,562	\$9,467	\$(108,607)	\$(7,283,164)
FY 2022	179,223	147,529	9,470	(108,565)	(7,283,164)
FY 2023	420,822	174,826	9,741	16,260	(7,283,164)
FY 2024	661,218	310,513	10,031	25,623	(5,853,374)
FY 2025	615,848	229,382	10,116	33,003	(2,808,826)
Thereafter	159,246	27,090	50,611	87,711	(586,918)

Actuarial Assumptions

The total OPEB liability for all VRS programs was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

Inflation 2.5 percent

Salary increases, including inflation per plan:

Employee Type	GLI	HIC	LODA	VSDP
General state	3.5 – 5.35%	3.5 – 5.35%	N/A	3.5 – 5.35%
Teachers	3.5 – 5.95%	N/A	N/A	N/A
SPORS	3.5 – 4.75%	3.5 – 4.75%	N/A	3.5 – 4.75%
VaLORS	3.5 – 4.75%	3.5 – 4.75%	N/A	3.5 – 4.75%
JRS	4.5%	4.5%	N/A	N/A
Locality - General	3.5 – 5.35%	N/A	N/A	N/A
Locality – Hazardous Duty	3.5 – 4.75%	N/A	N/A	N/A

LODA Medical cost trend rates assumption:

Under age 65 7.25 percent – 4.75 percent

Ages 65 and older 5.50 percent – 4.75 percent

Year of ultimate trend rate

Post-65 Fiscal year ended 2023

Pre-65 Fiscal year ended 2028

Investment rate of return

6.75% (3.50% for LODA), net of OPEB plan investment expenses, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75% (3.50% for LODA). However, since the difference was minimal, and a more conservative 6.75% (3.50% for LODA) investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of the OPEB liabilities for GLI, HIC and VSDP. Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.50% was used since it approximates the risk-free rate of return.

Mortality rates – General State Employees (GLI, HIC, LODA, VSDP)

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016 except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%
Discount Rate	Decrease rate from 7% to 6.75% (no change for LODA)

Mortality rates – Teachers (GLI)

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decrease rate from 7% to 6.75%

Mortality rates – SPORS Employees (GLI, HIC, LODA, VSDP)

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019.

Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%
Discount Rate	Decrease rate from 7% to 6.75% (no change for LODA)

Mortality rates – VaLORS Employees (GLI, HIC, LODA, VSDP)

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in discount rate, which was based on VRS Board action effective as of July 1, 2019.

Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%
Discount Rate	Decrease rate from 7% to 6.75% (no change for LODA)

Mortality rates – JRS Employees (GLI, HIC)

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% compounding increase from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with Scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016, except the change in discount rate, which was based on VRS Board action effective as of July 1, 2019.

Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change
Discount Rate	Decrease rate from 7% to 6.75%

Mortality rates – Largest Ten Locality Employers - General Employees (GLI)

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%
Discount Rate	Decrease rate from 7% to 6.75%

Mortality rates – Non-Largest Ten Locality Employers - General Employees (GLI)

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%
Discount Rate	Decrease rate from 7% to 6.75%

Mortality rates – Largest Ten Locality Employers – Hazardous Duty Employees (GLI, LODA)

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in discount rate, which was based on VRS Board action effective as of July 1, 2019.

Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%
Discount Rate	Decrease rate from 7% to 6.75% (no change for LODA)

Mortality rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees (GLI, LODA)

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in discount rate, which was based on VRS Board action effective as of July 1, 2019.

Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%
Discount Rate	Decrease rate from 7% to 6.75% (no change for LODA)

The total Pre-Medicare Retiree Healthcare OPEB liability was based on an actuarial valuation with a valuation date of June 30, 2019. The Department of Human Resource Management selected the economic, demographic and healthcare claim cost assumptions. The actuary provided guidance with respect to these assumptions. Initial healthcare costs trend rates used were 7.00 percent for medical and pharmacy and 4.0 percent for dental. The ultimate trend rates used were 4.5 percent for medical and pharmacy and 4.0 percent for dental.

Valuation Date	Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported
Measurement Date	June 30, 2019 (one year prior to the end of the fiscal year)
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar, Closed
Effective Amortization Period	6.25 years
Discount Rate	3.51%
Projected Salary Increases	4.0%
Medical Trend Under 65	Medical & Rx: 7.00% to 4.50% Dental: 4.00% Before reflecting Excise tax
Year of Ultimate Trend	2029
Mortality	Mortality rates vary by participant status
Pre-Retirement:	RP-2014 Employee Rates; males setback 1 year, 85% of rates; females setback 1 year
Post-Retirement:	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females setback 1 year
Post-Disablement:	RP-2014 Disabled Mortality Rates projected with Scale BB to 2020; males 115% of rates; females 130% of rates

The discount rate was based on the Bond Buyers GO 20 Municipal Bond Index as of the measurement date which is June 30, 2019.

Changes of Assumptions: The following actuarial assumptions were updated since the June 30, 2018 valuation based on recent experience:

Spousal Coverage	Reduced the rate from 35% to 25%
Retiree Participation	Reduced the rate from 60% to 50%

Spousal coverage and retiree participation were both reduced based on a blend of recent experience and the prior year assumptions. The mortality assumption was modified slightly to reflect modified pre-retirement Mortality base rates to exclude age over 65 instead of apply mortality improvement projection scale BB. The excise tax was modified to reflect updated projection of the tax thresholds. Trend rates were updated based on economic conditions as of 6/30/2019. Additionally, the discount rate was decreased from 3.87% to 3.51% based on the Bond Buyers GO 20 Municipal Bond Index.

Net OPEB Liability (Asset)

The net OPEB liability (NOL) or Net OBEP asset (NOA) for the VRS administered OPEB plans represent the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position.

As of the measurement date of June 30, 2019, NOL and NOA amounts for these programs are as follows (amounts expressed in thousands):

	GLI	HIC	LODA	VSDP
Total OPEB Liability	\$3,390,238	\$1,032,094	\$361,626	\$292,046
Plan Fiduciary Net Position	1,762,972	109,023	2,839	488,241
Employers' Net OPEB Liability (Asset)	<u>\$1,627,266</u>	<u>\$923,071</u>	<u>\$358,787</u>	<u>\$(196,195)</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	52.00%	10.56%	0.79%	167.18%

The total OPEB liability (asset) is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net OPEB liability/net OPEB asset is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return (GLI, HIC, VSDP)

The long-term expected rate of return on the System's investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of System's investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS – Multi – Asset Public Strategies	6.00%	3.52%	0.21%
PIP – Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
Inflation			2.50%
* Expected arithmetic nominal return			7.63%

* The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

Long-Term Expected Rate of Return (LODA)

The long-term expected rate of return on LODA OPEB Program's investments was set at 3.50% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments 6.75% assumption. Instead, the assumed annual rate of return of 3.50% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2019.

Discount Rate

The discount rate used to measure the total GLI, HIC and VSDP OPEB liability was 6.75% and 3.50% was used to measure the total LODA OPEB liability. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the University for the programs will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

The discount rate for the PMRH program was based on the Bond Buyers GO 20 Municipal Bond Index as of the measurement date which is June 30, 2019. It was decreased from 3.87% to 3.51%.

Sensitivity of the University's Proportionate Share of the Net OPEB Liability (Asset) and Total PMRH OPEB Liability to Changes in the Discount Rate

The following presents the University's proportionate share of the net OPEB liability (asset) for GLI, HIC and VSDP using the discount rate of 6.75%, LODA using the discount rate of 3.50% and the University's proportionate share of the total OPEB liability for PMRH using the discount rate of 3.51%, as well as what the University's proportionate share of the net OPEB liability (asset) and total PMRH OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

University's Proportionate Share of Net OPEB Liability (Asset) and Total PMRH OPEB Liability

	1.00% Decrease	Current Discount Rate	1.00% Increase
	<u>5.75%</u>	<u>6.75%</u>	<u>7.75%</u>
GLI	\$36,483,093	\$27,770,761	\$20,705,303
HIC	\$49,995,053	\$45,108,461	\$40,908,864
VSDP	\$(5,522,525)	\$(6,082,132)	\$(6,577,945)
	<u>2.50%</u>	<u>3.50%</u>	<u>4.50%</u>
LODA	\$1,028,681	\$886,740	\$774,473
	<u>2.51%</u>	<u>3.51%</u>	<u>4.51%</u>
PMRH	\$29,561,460	\$27,636,542	\$25,831,313

Sensitivity of the University's Proportionate Share of the Net LODA & Total PMRH OPEB Liabilities to Changes in the Health Care Trend Rate

Because the Line of Duty Act Program (LODA) and Pre-Medicare Retiree Healthcare Program (PMRH) contain provisions for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the University's proportionate share of the net OPEB liability for these programs using health care trend rate of 7.75% decreasing to 4.75% for LODA and 7.00% decreasing to 4.50% for PMRH, as well as what the University's proportionate share of the net OPEB liabilities would be if it were calculated using a health care trend rate that is one percentage point lower (LODA: 6.75% decreasing to 3.75%, PMRH: 6.00% decreasing to 3.50%) or one percentage point higher (LODA: 8.75% decreasing to 5.75%, PMRH: 8.00% decreasing to 5.50%) than the current rate:

University's Proportionate Share of Net OPEB Liability (Asset) and Total PMRH OPEB Liability

	1.00% Decrease	Health Care Trend Rates	1.00% Increase
	<u>6.75% decreasing to 3.75%</u>	<u>7.75% decreasing to 4.75%</u>	<u>8.75% decreasing to 5.75%</u>
LODA	\$749,730	\$886,740	\$1,059,524
	<u>6.00% decreasing to 3.50%</u>	<u>7.00% decreasing to 4.50%</u>	<u>8.00% decreasing to 5.50%</u>
PMRH	\$24,680,587	\$27,636,542	\$31,134,914

Fiduciary Net Position

Detailed information about the Fiduciary Net Position for each of the VRS programs is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the GLI, HIC, and VSDP Programs

As of June 30, 2020, the University had the following payables to each of these OPEB programs:

GLI	\$167,288
HIC	155,061
VSDP	36,536

17. RISK MANAGEMENT AND EMPLOYEE HEALTH CARE PLANS

The University is exposed to various risks of loss related to torts; theft, or damage to and destruction of assets; errors and omissions; non-performance of duty; injuries to employees; and natural disasters. The University participates in insurance plans maintained by the Commonwealth of Virginia. The Department of Human Resource Management administers the Commonwealth employee health care and worker's compensation plans, and the Department of Treasury, Division of Risk Management, administers the risk management insurance plans. Risk management insurance includes property, general liability, faithful performance of duty bond, automobile, and air and watercraft plans. The University pays premiums to each of these departments for its insurance coverage. Information relating to the Commonwealth's insurance plans is available at the statewide level in the Commonwealth's Comprehensive Annual Financial Report.

18. RESTRICTED NET POSITION

At June 30, 2020 restricted net position included the following purpose restrictions:

Restricted, nonexpendable	
Student aid	\$1,406,281
Instruction	4,631,000
Research	1,128,855
Total restricted, nonexpendable	\$7,166,136

Restricted, expendable	
Student aid	\$64,192
Instruction	573,784
Research	4,778,222
Capital	897,815
Total restricted, expendable	\$6,314,013

19. COMPONENT UNITS

Component unit combining financial statements and additional disclosures in accordance with FASB standards are presented below.

Combining Statement of Financial Position As of June 30, 2020						
	George Mason University Foundation (GMUF)	Mason Housing, Inc. * (MHI)	GMU Instructional Foundation* (GMUIF)	Mason Korea, LLC ^ (MK)	Mercatus Center, Inc. # (Mercatus)	Total Component Units
Assets						
Cash and cash equivalents	\$20,989,192	\$82,316	\$4,645,636	\$3,725,384	\$18,515,755	\$47,958,283
Security deposits	-	101,124	-	-	-	101,124
Restricted cash and cash equivalents	5,362,266	4,782,623	-	-	-	10,144,889
Accounts receivable, net	1,014,862	3,042	74,791	192,231	5,632	1,290,558
Contributions receivable, net	21,937,837	-	-	-	1,815,000	23,752,837
Prepays and other assets	5,192,581	2,058	9,857	42,041	369,911	5,616,448
Net investment in direct financing lease	84,196,705	-	-	-	-	84,196,705
Beneficial interest in perpetual trusts	10,765,605	-	-	-	-	10,765,605
Land held for sale	6,211,054	-	-	-	-	6,211,054
Investments	246,649,297	1,078,429	1,615,252	-	1,483,747	250,826,725
Property and equipment, net	56,969,659	20,926,624	7,066,632	-	741,554	85,704,469
Deferred tax asset	-	-	183,000	-	-	183,000
Total Assets	459,289,058	26,976,216	13,595,168	3,959,656	22,931,599	526,751,697
Liabilities and Net Assets						
Liabilities						
Accounts payable and accrued expenses	10,565,593	207,145	387,469	263,352	1,172,618	12,596,177
Accrued payroll and related expenses	-	8,373	-	672,597	-	680,970
Grants and student research awards payable	-	-	-	-	2,380,015	2,380,015
Participation rent payable	-	430,756	-	-	-	430,756
Tenant security deposits liability	-	101,124	-	-	-	101,124
Unearned revenue	345,038	12,959	1,532,445	68,384	-	1,958,826
Charitable gift annuities	-	-	-	-	219,869	219,869
Other liabilities	561,999	-	-	-	-	561,999
Interest rate swap liability	-	16,348,464	-	-	-	16,348,464
Long-term debt including loan payable	142,129,546	37,071,297	940,367	-	-	180,141,210
Amounts held for others	22,756,912	-	-	-	-	22,756,912
Total Liabilities	176,359,088	54,180,118	2,860,281	1,004,333	3,772,502	238,176,322
Net Assets						
Net assets (deficit) without donor restrictions	30,558,173	(27,203,902)	10,033,431	2,955,323	16,490,502	32,833,527
Net assets with donor restrictions	252,371,797	-	701,456	-	2,668,595	255,741,848
Total Net Assets	282,929,970	(27,203,902)	10,734,887	2,955,323	19,159,097	288,575,375
Total Liabilities and Net Assets	\$459,289,058	\$26,976,216	\$13,595,168	\$3,959,656	\$22,931,599	\$526,751,697

* March 31, 2020 year-end

^ December 31, 2019 year-end

August 31, 2019 year-end

Combining Statement of Activities For the Year Ended June 30, 2020						
	George Mason University Foundation (GMUF)	Mason Housing, Inc. * (MHI)	GMU Instructional Foundation * (GMUIF)	Mason Korea, LLC ^ (MK)	Mercatus Center, Inc. # (Mercatus)	Total Component Units
Operating Revenues						
Contributions	\$91,069,809	\$-	\$-	\$1,128,893	\$1,183,002	\$93,381,704
Grants	-	-	254,476	906,843	30,278,963	31,440,282
Interest on direct financing lease	5,459,001	-	-	-	-	5,459,001
Investment and trust return	3,575,456	-	125,138	-	191,154	3,891,748
Miscellaneous and other income	-	122,423	-	132,536	333,947	588,906
Rental income, net	11,536,279	3,811,195	1,578,768	-	-	16,926,242
Service fees	2,040,427	-	691,581	6,994,065	-	9,726,073
Total Operating Revenue	113,680,972	3,933,618	2,649,963	9,162,337	31,987,066	161,413,956
Operating Expenses						
Academic program support	100,170,733	-	-	1,006,950	27,953,769	129,131,452
Advertising and promotion	-	16,417	-	-	-	16,417
Depreciation	1,687,458	1,193,603	50,894	-	-	2,931,955
Fundraising	574,403	-	-	-	1,850,676	2,425,079
Insurance	201,324	69,399	12,100	-	-	282,823
Interest expense	5,359,859	2,048,970	46,563	-	-	7,455,392
Maintenance	-	196,657	-	-	-	196,657
Management fees	-	117,842	-	275,722	1,780,501	2,174,065
Office and other administrative expenses	1,448,346	128,701	363,387	505,158	-	2,445,592
Salaries and wages	1,466,296	340,644	322,989	4,898,790	-	7,028,719
Rent, utilities and other	3,150,799	19,103	58,625	1,075,119	-	4,303,646
Total Operating Expenses	114,059,218	4,131,336	854,558	7,761,739	31,584,946	158,391,797
Change in net assets before non-operating items and other changes	(378,246)	(197,718)	1,795,405	1,400,598	402,120	3,022,159
Non-operating items	(946,269)	(6,530,555)	(223,489)	(95,404)	1,950	(7,793,767)
Change in Net Assets	(1,324,515)	(6,728,273)	1,571,916	1,305,194	404,070	(4,771,608)
Beginning Net Assets – as originally reported	284,254,485	(20,475,629)	8,592,502	1,650,129	18,755,027	292,776,514
Prior period adjustment	-	-	570,469	-	-	570,469
Beginning Net Assets – as restated	284,254,485	(20,475,629)	9,162,971	1,650,129	18,755,027	293,346,983
Ending Net Assets	\$282,929,970	\$(27,203,902)	\$10,734,887	\$2,955,323	\$19,159,097	\$288,575,375

* March 31, 2020 year-end

^ December 31, 2019 year-end

August 31, 2019 year-end

A. CONTRIBUTIONS RECEIVABLE

Contributions receivable as of June 30, 2020 are as follows:

	GMUF	Mercatus#	Total
Due in less than one year	\$8,449,279	\$1,815,000	\$10,264,279
Due in one to five years	14,098,342	-	14,098,342
Due in more than five years	776,050	-	776,050
	23,323,671	1,815,000	25,138,671
Less allowance for doubtful accounts	(112,090)	-	(112,090)
Less discount present value	(1,273,744)	-	(1,273,744)
Total	\$21,937,837	\$1,815,000	\$23,752,837

August 31, 2019 year-end

Discount rates range from 0.20 percent to 3.69 percent.

As of June 30, 2020, GMUF has \$6,489,079 of conditional promises to give. These conditional promises to give are not recognized as assets in the consolidated statement of financial position until the conditions are met.

B. INVESTMENTS

Investments, which are reported at fair value, consisted of the following as of June 30, 2020:

	GMUF	MHI*	GMUIF*	Mercatus#	Total
Cash and money market funds	\$11,737,019	\$-	\$-	\$77,987	\$11,815,006
Equities	76,856,847	-	-	-	76,856,847
Fixed income	115,749,931	-	-	-	115,749,931
Liquid alternatives	10,369,641	-	-	-	10,369,641
Hedge funds	20,868,211	-	-	-	20,868,211
Managed futures	-	-	-	-	-
Private equity and real assets	11,067,648	-	-	-	11,067,648
Mutual funds	-	587,079	-	1,405,760	1,992,839
Certificates of deposits	-	491,350	1,565,252	-	2,056,602
Convertible note and warrant	-	-	50,000	-	50,000
Total	\$246,649,297	\$1,078,429	\$1,615,252	\$1,483,747	\$250,826,725

* March 31, 2020 year-end

August 31, 2019 year-end

C. FAIR VALUE MEASUREMENT

FASB Accounting Standards Codification 820, Fair Value Measurements and Disclosures (“FASB ASC 820”), establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of the observable inputs and minimize the use of unobservable inputs.

Level 2 fair value measurements are derived from the underlying assets of the perpetual and third-party trusts which substantially consists of investments with readily determinable fair values. The fair value of the assets in the third-party trusts is reduced by the net present value of the expected payments to other beneficiaries, discounted at a risk adjusted interest rate.

Other investments include those investments carried at NAV as published by the applicable fund manager, as a practical expedient.

The following table summarizes the valuation of George Mason University Foundation's financial assets and liabilities measured at fair value as of June 30, 2020, based on the level of input utilized to measure fair value:

Measurement at fair value on a recurring basis as of June 30, 2020:

GMUF Financial Assets:	Level 1	Level 2	Level 3	Reported at NAV*	Total
Cash and cash equivalents	\$11,737,019	\$-	\$-	\$-	\$11,737,019
Equities:					
Domestic large cap	39,968,876	-	-	-	39,968,876
Domestic small/mid cap	5,878,184	-	-	-	5,878,184
International (developed countries)	24,770,216	-	-	-	24,770,216
International (emerging markets)	6,239,571	-	-	-	6,239,571
Fixed income:					
Short-term bonds	81,638,384	1,402,682	-	-	83,041,066
Intermediate bonds	6,281,689	574,485	-	-	6,856,174
Long-term bonds	1,398,328	14,510,694	-	-	15,909,022
High-yield bonds	684,138	-	-	-	684,138
World bonds	4,385,907	-	-	-	4,385,907
Bank loans	1,826,135	-	-	-	1,826,135
Preferred stock	3,047,489	-	-	-	3,047,489
Liquid alternatives	10,369,641	-	-	-	10,369,641
Hedge funds	-	-	-	20,868,211	20,868,211
Managed futures	-	-	-	-	-
Private equity and real assets	-	-	-	11,067,648	11,067,648
Investments	198,225,577	16,487,861	-	31,935,859	246,649,297
Beneficial interests in perpetual trusts	-	10,765,605	-	-	10,765,605
Total GMUF financial assets	\$198,225,577	\$27,253,466	\$-	\$31,935,859	\$257,414,902

* Certain investments that are measured at NAV, as a practical expedient, have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statement of financial position.

The following table presents the nature and risk of assets with fair values estimated using NAV held at June 30, 2020:

	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
			Daily, Monthly, Quarterly, Annually	2 days, 30 days, 45 days, 65 days, 105 days
Hedge funds - Multi-strategies ^(a)	\$20,868,211	N/A	N/A	N/A
Private equity and real assets ^(b)	11,067,648	\$5,873,307		
Total	\$31,935,859	\$5,873,307		

(a) Hedge funds - Multi-strategies: This class includes investments that use multiple strategies to obtain absolute returns. Direct and indirect investments are made using capital structure arbitrage, distressed debt, equity long/short, multi-strategy credit, multi-strategy event driven, value and other trading strategies. The investments in this class are redeemable based on the redemption frequencies and notice periods described above. Some investments include “gates” which limit the percentage of the Foundation’s investments that can be redeemed at one time.

(b) Private equity and real assets: This class includes investments in private equity and real asset funds. The real asset funds invest in global real estate investments for purpose of generating income and capital appreciation. The private equity funds, which include venture capital funds, make direct and indirect investments in privately and publicly issued debt equity securities. Strategies employed by the private equity funds include distress, growth equity, buyout, alternative credit and opportunistic strategies across a variety of industries and geographies. A portion of this class also invests in social impact companies. These investments can never be redeemed with the funds. Instead, the nature of the investments in this class is that distributions are received through liquidation of the underlying assets of the funds.

The following table presents Mason Housing, Inc.’s fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of March 31, 2020:

MHI Financial Assets and Liability:	Level 1	Level 2	Level 3	Total
Assets:				
Mutual funds	\$587,079	\$-	\$-	\$587,079
Certificates of deposits	491,350	-	-	491,350
Investments	\$1,078,429	\$-	\$-	\$1,078,429
Liability:				
Interest rate swap	\$-	\$16,348,464	\$-	\$16,348,464

The following table presents GMUIF's fair value hierarchy for those assets measured at fair value as of March 31, 2020:

GMUIF Financial Assets	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$-	\$1,565,252	\$-	\$1,565,252
Closely-held stock and warrant	-	-	50,000	50,000
Total Assets	<u>\$-</u>	<u>\$1,565,252</u>	<u>\$50,000</u>	<u>\$1,615,252</u>

The following table presents the Mercatus Center, Inc.'s fair value hierarchy for those investments measured at fair value on a recurring basis as of August 31, 2019:

Mercatus Financial Assets	Level 1	Level 2	Level 3	Total
Money markets	\$77,987	\$-	\$-	\$77,987
Mutual funds – fixed income	1,113,884	-	-	1,113,884
Mutual funds – equities	291,876	-	-	291,876
Total Investments	<u>\$1,483,747</u>	<u>\$-</u>	<u>\$-</u>	<u>\$1,483,747</u>

D. PROPERTY AND EQUIPMENT

The following comprises property and equipment for the component units at June 30, 2020:

	GMUF	MHI *	GMUIF *	Mercatus #	Total
Land	\$18,569,263	\$-	\$6,435,556	\$-	\$25,004,819
Land improvements	-	103,955	-	-	103,955
Buildings & building improvements	66,064,348	31,267,734	600,000	414,057	98,346,139
Furniture, fixtures and equipment	1,109,121	943,995	818,175	2,474,139	5,345,430
Total	85,742,732	32,315,684	7,853,731	2,888,196	128,800,343
Accumulated depreciation and amortization	(28,773,073)	(11,389,060)	(787,099)	(2,146,642)	(43,095,874)
Net property and equipment	\$56,969,659	\$20,926,624	\$7,066,632	\$741,554	\$85,704,469
Land held for sale	\$6,211,054	\$-	\$-	\$-	\$6,211,054

* March 31, 2019 year-end, # August 31, 2019 year-end

E. LONG-TERM DEBT – GEORGE MASON UNIVERSITY FOUNDATION

George Mason University Foundation, Inc. (Potomac Heights and University Park Projects) - Fairfax County Economic Development Authority Bonds

On October 7, 2003, the Fairfax County Economic Development Authority ("FCEDA") issued \$35,125,000 of variable rate bonds to finance a housing project for use by the University and to refinance existing properties the Foundation owns and rents to the University. On May 1, 2013, the Foundation refinanced the remaining \$25,520,000 of the FCEDA bonds with the same commercial bank. On November 7, 2016, the commercial bank agreed to release the lien of the deed of trust from the University Park Projects. On December 21, 2017, the Foundation, through its newly established subsidiary, GMUF Potomac Heights, LLC, refinanced with a second commercial bank, the remaining \$16,597,500 of FCEDA bonds as well as the interest rate swap

termination fee. Bonds were issued including \$16,795,000 of FCEDA Refunding Revenue Note, Series 2017A (GMUF Potomac Heights, LLC Issue) tax-exempt fixed rate bonds, and \$1,380,000 of FCEDA Refunding Revenue Note, Series 2017B (GMUF Potomac Heights, LLC Issue) taxable fixed rate bonds. The Foundation began leasing the property to the University in fiscal year 2018 with a 10-year lease term and the lease payments service the bonds' principal and interest payments.

GMUF Mason Administration, LLC (Merten Hall) - Fairfax County Economic Development Authority Bonds

On April 21, 2010 the FCEDA issued its \$36,100,000 Revenue Bond Series 2010A (Tax Exempt - GMUF Mason Administration, LLC Project) and its \$1,900,000 Revenue Bond Series 2010B (Taxable - GMUF Mason Administration, LLC Project) and sold such bonds to a commercial bank pursuant to a Bond Purchase and Loan Agreement dated April 1, 2010. The Foundation borrowed \$32,100,000 of the Revenue Bond Series 2010A and the entire \$1,900,000 of the Revenue Bond Series 2010B.

The Series 2010A Bonds were subject to mandatory repayment at the option of the commercial bank on December 1, 2023. On November 4, 2016, the Foundation executed a loan modification agreement in which the commercial bank shall not exercise the mandatory prepayment option, but the Foundation is now obligated to prepay the Series 2010A Bonds on June 1, 2024.

Proceeds were used in the acquisition, construction, renovation and equipping of a five-story administration building for classrooms, administrative office and retail space. The building was substantially completed in May 2011, with remaining construction for retail space completed in fiscal year 2014. The Foundation's debt obligation is limited to that portion of the bond issuance which it drew upon pursuant to the Bond Purchase and Loan Agreement.

As part of this transaction, the Foundation simultaneously entered into two forward floating-to-fixed interest rate swaps with a commercial bank to effectively fix the interest rates on the tax-exempt and taxable bonds. These swaps were terminated in fiscal year 2018.

On May 18, 2018, the FCEDA issued its \$30,395,000 Refunding Revenue Bond, Series 2018 (GMUF Mason Administration, LLC Project) and sold such bonds to a commercial bank pursuant to a loan and financing agreement. Proceeds were used to retire the \$28,243,403 of outstanding FCEDA Revenue Bond Series 2010A (Tax-Exempt – GMUF Mason Administration, LLC Project) bonds as well as the interest rate swap termination fee. The Foundation began leasing the property to the University in fiscal year 2011 with a 25 year lease term and the lease payments service the bonds' principal and interest payments.

GMUF Prince William Housing, LLC (Beacon Hall) - Industrial Development Authority of the County of Prince William Bonds

On August 11, 2011, the Industrial Development Authority of the County of Prince William issued its \$14,640,000 Revenue Bond Series 2011A (Tax-Exempt George Mason University Foundation Prince William Housing LLC Project) and its \$985,000 Revenue Bond Series 2011B (Taxable George Mason University Foundation Prince William Housing LLC Project). Proceeds were used to finance the acquisition, construction, and equipping of a student residence hall, university program space, and unimproved "shell space" designated for retail tenants.

The Series 2011A and Series 2011B Bonds are special, limited obligations of the issuer, payable solely from the revenues pledged therefore under the indenture. Neither the Foundation nor the University is liable for payments of the principal or redemption price of interest on the Bonds. The Foundation began leasing the property to the University in fiscal year 2013 with a 30-year lease term, and the lease payments service the bonds' principal and interest payments.

During fiscal year 2020, the Industrial Development Authority of the County of Prince William issued its \$15,370,000 Taxable Student Housing Refunding Revenue Bond Series 2020 (“Series 2020 Bonds”) pursuant to a Trust Indenture dated January 1, 2020. Proceeds were used by the Foundation to execute an advance refunding and to legally defease the Series 2011A and B Bonds. As a result, the Series 2011A and B Bonds are deemed extinguished for accounting purposes resulting in a loss of \$2,553,488 during fiscal year 2020.

The Foundation entered into this advance refunding to take advantage of historically low long-term interest rates. The University’s lease payments fund the debt service of the Series 2020 Bonds.

All of the term bonds for the Industrial Development Authority of the County of Prince William Series 2020 Bonds are subject to mandatory redemption by operation of sinking fund installments.

GMUF Prince William Life Sciences Lab, LLC - Industrial Development Authority of the County of Prince William Bonds

On August 11, 2011, the Industrial Development Authority of the County of Prince William issued its \$31,065,000 Revenue Bond Series 2011AA (Tax-Exempt George Mason University Foundation Prince William Life Sciences Lab LLC Project) and its \$2,145,000 Revenue Bond Series 2011BB (Taxable George Mason University Foundation Prince William Life Sciences Lab LLC Project) pursuant to a Trust Indenture dated August 1, 2011. Proceeds were used to finance the acquisition, construction and equipping of life sciences lab facilities and the acquisition and construction of unimproved “shell space” designated for commercial laboratory use. The project was completed in fiscal year 2015.

The Series 2011AA and Series 2011BB Bonds are special, limited obligations of the issuer, payable solely from the revenues pledged therefore under the indenture. Neither the Foundation nor the University is liable for payments of the principal or redemption price of interest on the Bonds. The Foundation began leasing the property in fiscal year 2013 to the University with a 29.5-year lease term, and the lease payments service the bonds’ principal and interest payments. The Series 2011BB Bonds matured on September 1, 2016.

During fiscal year 2017, the Industrial Development Authority of the County of Prince William issued its \$35,330,000 Revenue Bond Series 2017 (“Series 2017 Bonds”) pursuant to a Trust Indenture dated February 1, 2017. Proceeds were used by the Foundation to execute an advanced refunding and to legally defease the Series 2011AA Bonds. The Foundation entered into this advanced refunding to eliminate the private business use restrictions on the building, allowing the Foundation more flexibility in utilizing the space and to take advantage of historically low long-term interest rates. The University’s lease payments fund the debt service of the Series 2017 Bonds.

All of the term bonds for the Industrial Development Authority of the County of Prince William Series 2017 Bonds are subject to mandatory redemption by operation of sinking fund installments.

GMUF Commerce Buildings, LLC Notes

On March 16, 2015, GMU Commerce Buildings, LLC modified its existing loan with the commercial bank resulting in a taxable loan of \$5,720,000 at a fixed rate of 3.63%, maturing March 1, 2030. The Foundation leases the property to the University with a 15-year lease term and the lease payments made by the University service the notes’ principal and interest payments as well as operating costs.

GMUF Arlington Campus, LLC Notes

On August 18, 2006, GMUF Arlington Campus, LLC secured a 10-year \$68.5 million loan by executing a deed of trust on real property located at 3434 North Washington Street, Arlington, VA, with a financial institution.

During fiscal year 2016, GMUF Arlington Campus, LLC extinguished its existing loan and terminated a related letter of credit. Effective June 1, 2016, GMUF Arlington Campus, LLC negotiated a new loan of \$60 million with another commercial bank at a fixed rate of 4.05%, maturing June 1, 2033.

The following represents the Foundation's bonds and notes payable at June 30, 2020:

	2020
Fairfax County Economic Development Authority Bonds (FCEDA)	
GMUF Potomac Heights, LLC Tax-Exempt Revenue Bonds, term interest rate 2.41%, maturing on November 1, 2027	\$14,245,000
GMUF Mason Administration, LLC Tax-Exempt Revenue Bond, interest rate 3.47% maturing on April 1, 2036	27,681,518
Industrial Development Authority of the County of Prince William (IDA-PW)	
Prince William County Series 2017 Bonds, serial with interest rates ranging from 1.206% to 4.424%, maturing at various dates from October 1, 2017 to October 1, 2036	\$22,375,000
Prince William County Series 2017 Bonds, term interest rate 4.524%, maturing October 1, 2041	10,315,000
Prince William County Series 2020 Bonds, serial with interest rates ranging from 1.826% to 3.014%, maturing at various dates from September 1, 2020 to September 1, 2035	9,810,000
Prince William County Series 2020 Bonds, term interest rate 3.365%, maturing September 1, 2041	5,560,000
Bank Notes	
GMUF Arlington Campus, LLC Note with interest rate of 4.05% maturing June 1, 2033	\$49,396,163
GMUF Commerce Buildings, LLC Note with interest rate of 3.63% maturing March 1, 2030	4,015,358
Notes and bonds payable at face value	143,398,039
Plus: Unamortized net premium	-
Less: Debt issuance costs, net	(1,268,493)
Total long-term debt	\$142,129,546

Scheduled maturities and sinking fund requirements are as follows:

Year Ended June 30	Total
2021	\$7,716,781
2022	7,972,956
2023	8,289,771
2024	8,587,869
2025	8,891,074
Thereafter	101,939,588
Total	\$143,398,039

Interest expense on notes, bonds and related swaps along with the amortization of deferred financing charges was \$5,359,859 for the year ended June 30, 2020.

For certain debt issuances, on a periodic basis, the Foundation is required to comply with administrative reporting and debt covenant calculations. As of June 30, 2020, the Foundation was in compliance with its required debt covenant calculations.

F. LONG-TERM DEBT – MASON HOUSING, INC

In October 2008, the Fairfax County Economic Development Agency (“EDA”) issued \$39,760,000 of variable rate bonds (the Bonds) in order to provide financing for the development of Mason Housing. Bank of America (the Bond Purchaser) purchased these bonds and the proceeds received from the purchase were deposited to U.S. Bank National Association (the Trustee). Concurrently, the Organization entered into a loan agreement with EDA to borrow the proceeds received from the sale of the bonds. EDA entered into a trust indenture with the Trustee to secure the repayment of the bonds by the assignment of its rights under the loan agreement. In addition, the Organization entered into two interest rate swap agreements with Bank of America which exchanged the variable rate borne by the Organization with a fixed rate.

Principal payments are due annually on August 1 from 2011 to 2039. The Bonds bear interest at a variable rate, not to exceed 12%, which is determined by the remarketing agent, Bank of America Securities LLC, on a weekly index floating rate and flexible rate basis. The Bonds bear interest at an index floating rate, which is 1.10% plus the Securities Industries and Financial Market Association (SIFMA) through October 1, 2016. On November 1, 2016, the agreement was amended to change the interest to 1.15% plus 70% of the London Interbank Offered Rate (LIBOR) monthly floating rate through January 1, 2019. On January 1, 2019, the current interest being charged was extended through January 31, 2022. Commencing February 1, 2022, the Bond Purchaser may select an interest rate, as defined, pursuant to the terms of the trust indenture. The interest rate on the Bonds as of March 31, 2020 was 1.15%. The Bonds are secured by a Trust Indenture dated October 1, 2008. The trust indenture was supplemented on October 1, 2013 to reflect the Bonds as directly held by the bond purchaser.

In October 2008, an interest rate swap agreement was entered into on a notional amount of \$38,400,000. The swap went into effect December 1, 2008, and is set to expire on August 1, 2039. Per the agreement, the Organization pays a fixed rate of 3.97% and Bank of America pays a variable rate of the one-month LIBOR-BBA for each month (1.74307% at March 31, 2020).

In October 2008, an interest rate swap agreement was entered into on a notional amount of \$1,360,000. The swap went into effect December 1, 2008, and is set to expire on August 1, 2039. Per the agreement, the Organization pays a fixed rate of 3.035% and Bank of America pays a variable rate of the one-month LIBOR-BBA for each month (0.68348% at March 31, 2020).

The loan payable is secured by the Organization's building and improvements and future rental income. Interest is payable monthly on the loan payable, commencing in November 2008. Annual principal payments commenced in August 2011. Pursuant to the master covenant agreement with the bond purchaser, the Organization is required to maintain a debt service coverage ratio of at least 1.20.

During the year ended March 31, 2020, interest expense of \$1,972,910 was incurred and was included in interest expense on the statement of activities and changes in net deficit without donor restrictions. As of March 31, 2020, the outstanding principal balance was \$38,078,333. As of March 31, 2020, accrued interest payable was \$173,483.

Debt issuance costs on the above note are being amortized using an imputed rate of 5.34% at March 31, 2020. Amortization expense included in interest expense during 2020 totaled \$76,060. As of March 31, 2020, unamortized debt issuance costs were \$1,007,036.

Aggregate maturities of the loan payable over the next five years and thereafter is as follows:

Year Ended March 31	Total
2021	\$505,000
2022	598,333
2023	706,667
2024	815,000
2025	940,000
Thereafter	34,513,333
Total	\$38,078,333
Less: Debt Issuance Costs	(1,007,036)
Total long-term debt	\$37,071,297

G. LONG-TERM DEBT – GMU INSTRUCTIONAL FOUNDATION

GMUIF has a note payable with a bank, in the original amount of \$2,850,000 that commenced on March 1, 2010; collateralized by a deed of trust on 50 acres of land owned by GMUIF. The note bears interest at a fixed rate of 3.99% per annum with monthly payments of principal and interest of \$17,686. The note matures on March 1, 2025.

The minimum five years payments for the years ending March 31 are as follow:

Year Ended March 31	Total
2021	\$177,625
2022	184,862
2023	192,393
2024	200,232
2025	190,731
Total note payable	\$945,843
Less: unamortized debt issuance cost	(5,476)
Long term debt, net	\$940,367

H. PRIOR PERIOD ADJUSTMENT – GMU INSTRUCTIONAL FOUNDATION

During the current year management discovered that the restricted grant income had not been properly classified as restricted revenue, with a resulting balance in net assets with donor restrictions, rather it has been shown as part of the Operating Expenses and the unspent portion as a liability included in the line item Accounts payable and accrued expenses.

I. SUBSEQUENT EVENTS – COMPONENT UNITS

George Mason University Foundation, Inc.

On March 11, 2020, the novel coronavirus disease (“COVID-19”) was declared a pandemic by the World Health Organization. On March 13, 2020, a national emergency was declared in the United States concerning the COVID-19 outbreak. In response to the worldwide spread of COVID-19, management of the GMUF has implemented a number of practices designed to protect the safety and well-being of its donors and fund recipients.

Although there has been no significant impact on the GMUF’s operations, the extent to which COVID-19 may impact the GMUF’s future operations will depend upon future developments which are highly uncertain and

cannot be predicted at this time. Management is continuously monitoring the GMUF's financial performance, and related cash position and liquidity and developing and implementing plans designed to maintain the GMUF's financial position should the breadth and duration of the business disruptions related to COVID-19, as well as its impact on the U.S. economy and business confidence, continue for an extended period of time.

George Mason University Instructional Foundation, Inc.

National economic turmoil caused by the COVID-19 pandemic could negatively affect the businesses that provide the bulk of the GMUIF's support and revenue, which could potentially have a negative impact on the GMUIF's financial results for the fiscal year ended March 31, 2021 and beyond. The majority of the GMUIF's support and revenue is provided by a limited number of businesses, and to date the GMUIF has not seen any negative impact to its financial condition. The uncertainty of the length of time this health crisis will continue or the potential long-term impact to the businesses that provide the majority of the GMUIF's support and revenue, precludes the GMUIF from estimating the overall impact on its financial condition for fiscal year ended March 31, 2021 and beyond.

The GMUIF has evaluated all subsequent events through August 28, 2020, the date the financial statements were available to be issued.

Mason Housing, Inc.

Events that occur after the statements of financial position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statements of financial position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statements of financial position date require disclosure in the accompanying notes. Management evaluated the activity of the Mason Housing through June 15, 2020 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

20. CONTINGENCIES

Grants and Contracts

The University has received grants for specific purposes that are subject to review and audit by the grantor agencies. Claims against these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditures of resources for allowable purposes. Any disallowance resulting from a federal audit may become a liability of the University. As of June 30, 2020, the University estimates that no material liabilities will result from such audits or questions.

Litigation

The University was the named defendant in a federal class action lawsuit which was filed on August 17, 2020. The case was voluntarily dismissed without prejudice on October 13, 2020.

21. SUBSEQUENT EVENTS

In November 2020, the Commonwealth Treasury Board completed the sale of the General Obligation Refunding Bonds, Series 2020B. The University's share of the principal amount of the bonds is \$30.8 million. The proceeds of these bonds were used to refund \$29.5 million of outstanding bonds. Interest payments on the bonds will be made semi-annually, with coupons ranging from 0.55 to 1.91 percent. Principal payments

are made annually with the final payment due June 1, 2036. The refunding generated \$5.5 million in present value savings.

In February 2021, the University entered into several promissory notes with the Virginia College Building Authority (VCBA) to participate in the Educational Facilities Revenue Refunding Bonds, Series 2021 issued by the VCBA under its Pooled Bond Program. The total principal amount of these notes is \$57.7 million. The proceeds of these notes were used to refund \$53.2 million of outstanding notes. Interest payments on the notes will be made semi-annually, with coupons ranging from 0.48 to 2.65 percent. Principal payments are made annually with the final payment due September 1, 2041. The refunding generated \$73 thousand in net present value savings.

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information (RSI)
Cost-Sharing Employer Plans – VRS State Employee Retirement Plan
and VaLORS Retirement Plan
For the Fiscal Year Ended June 30, 2020

Schedule of George Mason University's Share of Net Pension Liability VRS State Employee Retirement Plan For the Measurement Dates of June 30, 2019-2014					
	Proportion of Net Pension Liability (Asset)	Proportionate Share of Net Pension Liability (Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
2019	3.26%	\$206,046,664	\$130,380,539	158.03%	75.13%
2018	3.19%	\$172,885,000	\$127,464,144	135.63%	77.39%
2017	3.15%	\$183,719,000	\$123,376,471	148.91%	75.33%
2016	3.25%	\$214,498,000	\$126,225,866	169.93%	71.29%
2015	3.28%	\$200,645,000	\$124,140,373	161.63%	72.81%
2014	3.27%	\$182,878,000	\$126,146,921	144.97%	74.28%
<i>Schedule is intended to show information for 10 years. Since 2019 is the sixth year for this presentation, there are only six years available. However, additional years will be included as they become available.</i>					

Schedule of George Mason University's Share of Net Pension Liability VaLORS Retirement Plan For the Measurement Dates of June 30, 2019-2014					
	Proportion of Net Pension Liability (Asset)	Proportionate Share of Net Pension Liability (Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
2019	0.79%	\$5,460,175	\$2,753,465	198.30%	68.31%
2018	0.84%	\$5,254,000	\$2,917,834	180.07%	69.56%
2017	0.73%	\$4,798,000	\$2,513,696	190.87%	67.22%
2016	0.75%	\$5,772,000	\$2,577,844	223.91%	61.01%
2015	0.77%	\$5,451,000	\$2,595,671	210.00%	62.64%
2014	0.71%	\$4,785,000	\$2,502,219	191.23%	63.05%
<i>Schedule is intended to show information for 10 years. Since 2019 is the sixth year for this presentation, there are only six years available. However, additional years will be included as they become available.</i>					

**Schedule of George Mason University's Contributions
VRS State Employee Retirement Plan
For the Years Ended June 30, 2011 through 2020**

	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2020	\$19,102,470	\$19,102,470	\$0	\$141,290,461	13.52%
2019	17,627,449	17,627,449	0	130,380,539	13.52%
2018	17,194,913	17,194,913	0	127,464,144	13.49%
2017	16,643,486	16,643,486	0	123,376,471	13.49%
2016	17,646,376	17,646,376	0	126,225,866	13.98%
2015	15,306,508	15,306,508	0	124,140,373	12.33%
2014	11,050,470	11,050,470	0	126,146,921	8.76%
2013	10,404,379	10,404,379	0	118,771,449	8.76%
2012	3,663,572	3,663,572	0	114,127,310	3.21%
2011	2,149,857	2,149,857	0	100,932,263	2.13%

**Schedule of George Mason University's Contributions
VaLORS Retirement Plan
For the Years Ended June 30, 2011 through 2020**

	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2020	\$600,334	\$600,334	\$0	\$2,778,039	21.61%
2019	595,024	595,024	0	2,753,465	21.61%
2018	614,204	614,204	0	2,917,834	21.05%
2017	529,133	529,133	0	2,513,696	21.05%
2016	485,408	485,408	0	2,577,844	18.83%
2015	458,655	458,655	0	2,595,671	17.67%
2014	370,328	370,328	0	2,502,219	14.80%
2013	445,945	445,945	0	3,013,140	14.80%
2012	213,333	213,333	0	3,013,181	7.08%
2011	136,739	136,739	0	2,670,676	5.12%

***Notes to Required Supplementary Information
For the Year Ended June 30, 2020***

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 25%
Discount Rate	Decrease rate from 7.00% to 6.75%

The following changes in actuarial assumptions were made for the VaLORS Retirement Plan effective June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decrease rate from 50% to 35%
Discount Rate	Decrease rate from 7.00% to 6.75%

Required Supplementary Information (RSI)
OPEB Programs
For the Fiscal Year Ended June 30, 2020

Schedule of George Mason University's Share of Net OPEB Liability (Asset)
For the Measurement Dates of June 30, 2019, 2018 and 2017

Plan	Date	Proportion of Net OPEB Liability (Asset)	Proportionate Share of Net OPEB Liability (Asset)	Employer's Covered Payroll	Proportionate Share of Net OPEB Liability (Asset) as a Percentage of Covered Payroll*	Plan Fiduciary Net Position as a Percentage of Total OPEB Liability*
GLI	2019	1.71%	\$27,770,761	\$334,545,691	8.30%	52.00%
GLI	2018	1.71%	\$25,915,000	\$324,279,275	7.99%	51.22%
GLI	2017	1.66%	\$25,016,000	\$305,005,397	8.20%	48.86%
HIC	2019	4.89%	\$45,108,461	\$333,003,029	13.55%	10.56%
HIC	2018	4.80%	\$43,766,000	\$322,852,386	13.56%	9.51%
HIC	2017	4.71%	\$42,921,000	\$331,193,685	12.96%	8.03%
LODA	2019	0.25%	\$886,740	\$2,903,883	30.54%	0.79%
LODA	2018	0.22%	\$685,000	\$3,176,375	21.57%	0.60%
LODA	2017	0.22%	\$580,000	\$2,636,694	22.00%	1.30%
VSDP	2019	(3.10)%	\$(6,082,132)	\$125,479,347	(4.85)%	167.18%
VSDP	2018	(3.04)%	\$(6,856,000)	\$117,039,982	(5.86)%	194.74%
VSDP	2017	(2.98)%	\$(6,127,000)	\$116,138,459	(5.28)%	186.63%

* The contributions for the Line of Duty Act Program (LODA) are based on the number of participants in the program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of the employees in the OPEB plan.

Schedule is intended to show information for 10 years. Since 2019 is the third year for this presentation, there are only three years of data available. However, additional years will be included as they become available.

Schedule of George Mason University's Share of Total PMRH Liability
For the Measurement Dates of June 30, 2019, 2018 and 2017

Plan	Date	Proportion of Total OPEB Liability (Asset)	Proportionate Share of Total OPEB Liability (Asset)	Covered- Employee Payroll	Proportionate Share of Total PMRH Liability as a Percentage of Covered- Employee Payroll
PMRH	2019*	4.07%	\$27,636,542	\$327,088,669	8.45%
PMRH	2018*	3.97%	\$39,956,061	\$316,551,467	12.6%
PMRH	2017*	3.89%	\$50,512,033	\$304,037,694	16.6%

Schedule is intended to show information for 10 years. Since 2019 is the third year for this presentation, there are only three years of data available. However, additional years will be included as they become available.

* The amounts presented have a measurement date of the previous fiscal year end.

**Schedule of George Mason University's OPEB Contributions
For the Years Ended June 30, 2018 through 2020**

Plan	Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll*	Contributions as a % of Covered Payroll*
GLI	2020	\$1,918,639	\$1,918,639	\$0	\$368,969,038	0.52%
GLI	2019	\$1,739,638	\$1,739,638	\$0	\$334,545,691	0.52%
GLI	2018	\$1,686,252	\$1,686,252	\$0	\$324,279,275	0.52%
HIC	2020	\$4,267,404	\$4,267,404	\$0	\$364,735,385	1.17%
HIC	2019	\$3,896,135	\$3,896,135	\$0	\$333,003,029	1.17%
HIC	2018	\$3,809,658	\$3,809,658	\$0	\$322,852,386	1.18%
LODA	2020	\$28,937	\$28,937	\$0	\$2,820,646	1.03%
LODA	2019	\$33,171	\$33,171	\$0	\$2,903,883	1.14%
LODA	2018	\$23,262	\$23,262	\$0	\$3,176,375	0.73%
VSDP	2020	\$843,318	\$843,318	\$0	\$136,019,032	0.62%
VSDP	2019	\$777,972	\$777,972	\$0	\$125,479,347	0.62%
VSDP	2018	\$772,464	\$772,464	\$0	\$117,039,982	0.66%

** The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of the employees in the OPEB plan.*

Schedule in intended to show information for 10 years. Since 2020 is the third year for this presentation, only three years of data are available. However, additional years will be included as they become available.

**Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2020**

GLI, HIC, LODA and VSDP Programs:

Changes of benefit terms: There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions: The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

General State Employees (GLI, HIC, LODA, VSDP):

Mortality Rates (Pre-retirement, post retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience

Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%
Discount Rate	Decrease rate from 7% to 6.75% (no change for LODA)

Teachers (GLI):

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decrease rate from 7% to 6.75%

SPORS Employees (GLI, HIC, LODA, VSDP):

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%
Discount Rate	Decrease rate from 7% to 6.75% (no change for LODA)

VaLORS Employees (GLI, HIC, LODA, VSDP):

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%
Discount Rate	Decrease rate from 7% to 6.75% (no change for LODA)

JRS Employees (GLI, HIC):

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change
Discount Rate	Decrease rate from 7% to 6.75%

Largest Ten Locality Employers - General Employees (GLI):

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%
Discount Rate	Decrease rate from 7% to 6.75%

Non-Largest Ten Locality Employers - General Employees (GLI):

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%
Discount Rate	Decrease rate from 7% to 6.75%

Largest Ten Locality Employers – Hazardous Duty Employees (GLI, LODA):

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%
Discount Rate	Decrease rate from 7% to 6.75% (no change for LODA)

Non-Largest Ten Locality Employers – Hazardous Duty Employees (GLI, LODA):

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%
Discount Rate	Decrease rate from 7% to 6.75% (no change for LODA)

PMRH Program:

There are no assets accumulated in a trust to pay related benefits.

Changes of benefit terms – There have been no changes to the benefit provisions since the prior actuarial valuation.

Changes of assumptions – The following actuarial assumptions were updated since the June 30, 2018 valuation based on recent experience:

- Spousal Coverage – reduced the rate from 35% to 25%
- Retiree Participation - reduced the rate from 60% to 50%

Spousal coverage and retiree participation were both reduced based on a blend of recent experience and the prior year assumptions. The mortality assumption was modified slightly to reflect modified pre-retirement Mortality base rates to exclude age over 65 instead of apply mortality improvement projection scale BB. The excise tax was modified to reflect updated projection of the tax thresholds. Trend rates were updated based on economic conditions as of 6/30/2019. Additionally, the discount rate was decreased from 3.87% to 3.51% based on the Bond Buyers GO 20 Municipal Bond Index.

INDEPENDENT AUDITOR'S REPORT



Staci A. Henshaw, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

March 31, 2021

The Honorable Ralph S. Northam
Governor of Virginia

The Honorable Kenneth R. Plum
Chairman, Joint Legislative Audit
and Review Commission

Board of Visitors
George Mason University

INDEPENDENT AUDITOR'S REPORT

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of George Mason University, a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units of the University, which are discussed in Note 1 and Note 19. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component units of the University, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the component units of the University that were audited by other auditors upon whose reports we are relying were audited in accordance with auditing standards generally accepted in the United States of America, but not in accordance with Government Auditing Standards.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and aggregate discretely presented component units of George Mason University as of June 30, 2020, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the following be presented to supplement the basic financial statements: Management's Discussion and Analysis on pages 1 through 11; the Schedule of George Mason University's Share of Net Pension Liability, the Schedule of George Mason University's Contributions, and the Notes to the Required Supplementary Information on pages 85 through 87; the Schedule of George Mason University's Share of Net OPEB Liability, the Schedule of George Mason University's Contributions, and the Notes to the Required Supplementary Information for the Health Insurance Credit, Group Life Insurance, Disability Insurance and Line of Duty programs on pages 88 through 91; the Schedule of George Mason University's

Share of Total OPEB Liability and the Notes to the Required Supplementary Information for the Pre-Medicare Retiree Healthcare program on pages 88 and 92. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 31, 2021 on our consideration of George Mason University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the University's internal control over financial reporting and compliance.

Staci A. Henshaw
AUDITOR OF PUBLIC ACCOUNTS

DLR/vks

UNIVERSITY OFFICIALS

GEORGE MASON UNIVERSITY

Fairfax, Virginia

As of June 30, 2020

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